

State of Alaska FY2005 Governor's Operating Budget

Department of Natural Resources Agricultural Development Component Budget Summary

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Component: Agricultural Development

Contribution to Department's Mission

The Division of Agriculture, and Board of Agriculture and Conservation work to promote and encourage development of an agriculture industry in the state.

Core Services

The Director of the Division of Agriculture sets policy and manages the following programs:

- **Agricultural Development**, providing services aimed at improving agriculture enterprises through land sales, marketing and inspection.
- **North Latitude Plant Materials Center**, providing basic support for Alaska agriculture and other Natural Resource agencies through testing, production and development of plant materials.
- **Agricultural Revolving Loan Fund**, providing agricultural loans and managing ARLF assets.

The Division of Agriculture, in cooperation with industry representatives, the Commissioner of the Department of Natural Resources, and the Board of Agriculture and Conservation administers agricultural policy for Alaska. The division works to create opportunities by providing consistency and stability in state agricultural programs. The agricultural assets owned by the division are managed to promote economically viable development, maximize return to the state, and encourage privatization.

The Plant Materials Center provides testing, production, development, and distribution of materials to resource industries, while meeting environmental requirements and developing a native seed industry.

The division sells and leases agricultural and grazing land and conducts field inspection for contract compliance with farm development and farm conservation plans. Effective marketing service programs are maintained, providing quality assurance of production. The entry of potentially harmful plants and products is regulated and controlled through inspection programs.

Title 38 land disposals for FY2005 are projected to include the following: 1,875 acres of land in the Southcentral Region with an estimated new contracts receivable value of \$365.0 thousand, and 4,000 acres of land in the Interior Region with an estimated new contracts receivable value of \$700.0 thousand. The inventory of accessible agricultural lands is diminishing, and significant capital investments will need to be addressed to sustain an expansion of agricultural activity in Alaska.

- Increase economic development opportunities for agricultural producers, processors, and marketers to use natural resources for sustainable agricultural production.
- Encourage division staff and industry leaders to identify and promote new markets for farm products, both in state and for export.
- Maintain industry liaison with other government agencies to influence issues related to agricultural development in Alaska. Organize farm industry meetings.
- Operate the Matanuska Maid Creamery through the Creamery Corporation with the Board of Agriculture and Conservation Board as the shareholder. The facility is essential for dairy farming in Alaska.
- A business plan and recommendations are being developed for the Mt. McKinley Meat and Sausage facility to maintain facility at a reduced level of state support. The facility is essential for the livestock and dairy industry in Alaska.
- Feasibility Studies are being developed for a value added vegetable processing facility, Support to farmers markets to increase market share, hog operations, seed growers, and reindeer.
- Maintain effective marketing service programs. This provides production quality assurance.
- Activities related to maintaining USDA cooperative agreements in produce inspection, plant material, agricultural statistics, Federal Seed Act, shell eggs, phytosanitary certification for exports, and homeland security.

- Maintain cooperative services with USDA crop insurance, conservation and lending agencies serving Alaska producers.
- Comply with state and federal regulations which provide quality control for agricultural production through inspections and grading services; conduct produce inspections for USDA grade and buyer specifications; provide field inspections for seed certification and disease control; issue phytosanitary certificates on export products from the agriculture industry; produce information and training on packaging and quality control.
- Provide marketing and production expertise to Alaska growers that increase their ability to market Alaska grown products, and maintain viable farms.
- Control the entry of potentially harmful plants and products through inspection programs.
- Provide testing, production development, and distribution of materials to resource industries, while meeting environmental requirements and developing a native seed industry.
- Sell and lease agricultural and grazing land and conduct field inspections for contract compliance with farm development and farm conservation plans.
- Monitor approximately 120 land sale contracts for compliance with the contract terms and conditions.
- Monitor approximately 404 patented farms to ensure they comply with the State regulations.
- Work with the BAC, and local Soil and Water Districts to identify and initiate land disposal projects.
- Monitor approximately 30 grazing leases and permits on roughly 180,000 acres for compliance with terms and conditions of the lease and permits.
- Develop new statewide grazing policy and regulations for public lands classified for grazing purposes.
- Review status of unsold land classified as agricultural, and participate in state and local land planning projects.
- Respond to written and verbal requests for agricultural land disposal and leasing information.
- Sell agricultural tracts containing 5,875 acres for an estimated \$1.1 million.
- Work with contract, and patent holders to update farm conservation plans.
- Work with Soil and Water Districts (SWCD) and NRCS in preparation of federal and state conservation plans.
- Review and recommend updates in regulations for agricultural sales, branding, and grazing fee structure.
- Recommend increases in USDA funding of Environmental Quality Incentives Program (EQIP) and Wildlife Habitat Incentives Program (WHIP) conservation projects, and farm bill implementation through our participation in the National Association of State Departments of Agriculture (NASDA) and the Western Association of State Departments of Agriculture (WASDA).
- Work with USDA, NRCS to expand the range specific GIS system to support Reindeer Herders Association.
- Work with the US Department of Defense and the Plant Materials Center on projects to restore native grasses in areas damaged by military operations.
- Provide conservation planning advice to municipalities' planning and development commissions.
- Obtain federal funding to develop an "Alaska specific" agricultural education program for public schools.
- Conserve soil and water resources in the state; conduct field inspection for contract compliance with farm development and conservation plans.

End Results	Strategies to Achieve Results
<p>(1) Assist in the development and expansion of the agriculture industry in Alaska.</p> <p><u>Target:</u> Expanded agriculture industry jobs products and plant materials. <u>Measure:</u> Value of agriculture products sold.</p>	<p>(1) Through the Director's Office provide program management and BAC support.</p> <p><u>Target:</u> Division meets all individual program targets. <u>Measure:</u> Percent of individual program targets completed.</p> <p>(2) Provide a land base for agriculture through continuing land disposals.</p> <p><u>Target:</u> A minimum of one land sale annually; complete adjudication of any grazing lease or permit application <u>Measure:</u> Quantity of land sold or permitted annually.</p> <p>(3) Provide inspection services statewide.</p> <p><u>Target:</u> Provide inspection services to meet all requirements.</p>

End Results	Strategies to Achieve Results
	<p><u>Measure:</u> Number of inspections completed annually.</p> <p>(4) Provide marketing assistance to agriculture industry.</p> <p><u>Target:</u> Increase the acceptance of Alaska Grown products with consumers.</p> <p><u>Measure:</u> Number of marketing actions completed annually.</p>

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • Help implement National Farm Bill through participation in NASDA and WASDA • Obtain Federal funding for agriculture education in public schools. • Set policy and manage the agricultural development program. • Set policy and manage the Northern Latitude Plant Materials Center. • Set policy and manage the Agricultural Revolving Loan Fund. • Provide administrative support to the Board of Agriculture and Conservation. • Prepare land sales. • Adjudicate lease and permit applications. • Monitor approximately 120 land sale contracts. • Monitor 400 permitted farms for compliance with agriculture covenants. • Work with the Board of Agriculture and Conservation and Soil and Water Districts to accomplish land disposals. • Monitor 30 grazing leases and permits on 180,000 acres. • Develop new statewide grazing policy and possibly new regulations. • Respond to questions on agriculture land. • Sell agriculture land. • Assist with update of Farm Conservation Plans. 	<ul style="list-style-type: none"> • Station inspection personnel in Palmer and Fairbanks. • Provide inspections for elk farming. • Conduct produce inspections for USDA grade and buyer specifications. • Cooperate with USDA on shell egg surveillance. • Provide meat grading services as requested. • Assist with agriculture pest control. • Issue phytosanitary certificates for export products. • Maintain brand registry. • Provide for organic product certification. • Continue Cooperative Marketing Program • Provide marketing assistance to farmers through information transfer. • Provide Alaska Grown materials to retailers • Assist farmer markets with promotional efforts. • Assist seed growers with market development. • Encourage use of Alaska Grown products by state and federal agencies. • Monitor compliance with local purchase practice.

FY2005 Resources Allocated to Achieve Results							
<p>FY2005 Component Budget: \$1,564,700</p>	<p>Personnel:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Full time</td> <td style="text-align: right;">13</td> </tr> <tr> <td>Part time</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">13</td> </tr> </table>	Full time	13	Part time	0	Total	13
Full time	13						
Part time	0						
Total	13						

Performance Measure Detail

(1) Result: Assist in the development and expansion of the agriculture industry in Alaska.

Target: Expanded agriculture industry jobs products and plant materials.

Measure: Value of agriculture products sold.

Monetary Value of Agriculture Products Sold

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2001	0	0	0	0	\$26.5
2002	0	0	0	0	\$30.2
2003	0	0	0	0	\$30.7

Analysis of results and challenges: 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.

(1) Strategy: Through the Director's Office provide program management and BAC support.

Target: Division meets all individual program targets.

Measure: Percent of individual program targets completed.

(2) Strategy: Provide a land base for agriculture through continuing land disposals.

Target: A minimum of one land sale annually; complete adjudication of any grazing lease or permit application

Measure: Quantity of land sold or permitted annually.

(3) Strategy: Provide inspection services statewide.

Target: Provide inspection services to meet all requirements.

Measure: Number of inspections completed annually.

(4) Strategy: Provide marketing assistance to agriculture industry.

Target: Increase the acceptance of Alaska Grown products with consumers.

Measure: Number of marketing actions completed annually.

Key Component Challenges

Provide marketing services, lending and regulatory program services that are easy to understand and use. Cooperate with other resource development agencies.

Make agricultural land available in various parcel sizes as dictated by regional and local demand for land sales, leases, and permits as funding allows. We have emphasized selling previously sold land, returned to the state. We have reduced our inventory to a point where new developments can now be our goal.

Sell lands that are suitable for agriculture in sufficient amounts to encourage viable enterprises. The long-term economic value of these lands is protected through the use of contractual farm conservation plans.

Provide inspection services that enable commercial sale of Alaska's agricultural products. New farms statewide are producing vegetables, meat and dairy products.

Manage the Cooperative Marketing Program providing small-scale matching grants for Alaska Grown promotion.

Produce and egg inspections for quality and grade generate revenue from USDA. The Animal and Plant Health Inspection Service (APHIS), Federal Seed Act, National Plant Board, generate revenue for the division. We expect to expand our service to the military, and grocery wholesalers and retailers statewide. Organic product certification, feed and fertilizer registration, as well as elk ranch permitting, bee registration and brand program assistance are supported by grants and user fees.

Significant Changes in Results to be Delivered in FY2005

The Division of Agriculture matched funding provided by the United States Department of Agriculture to study the feasibility of a **Nutrition Center and Vegetable Processing Center**. The study will determine what processing can be done to increase the usage of value added products by Alaska institutions. The study will include school districts, state entities, and the military. The Matanuska Susitna Borough has asked the Division of Agriculture to perform some additional work and has offered to pay the division for this work. If the business plan is successful, funding has been allocated for construction. SDPR authority in the amount of \$50.0 is expected to cover this additional work.

The Land Disposal Income Fund, agricultural land sales of title 38 properties are generating sufficient funding for our agricultural land and contract employees, who have previously been funded from the ARLF.

Homeland Security issues have resulted in federal projects and funding for Alaska and the Division of Agriculture this funding will continue into FY 05. We are working 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.

The Division of International Trade in DCED has elevated the seed potato export program as far as it can within its expertise in international affairs, and they have recognized that for the program to go to the next level of production and export contracts, the program needs to be returned to the Division of Agriculture for further evaluation and application within Alaska's agriculture industry. \$120.0 GF transfer to Agriculture is included in the FY05 budget. The Division of Agriculture is already in the process of holding a "potato summit" to work out the details and issues surrounding the potato and seed potato industry in Alaska. The meetings will be held in mid-January.

Major Component Accomplishments in 2003

Sold a total of 1,853 acres of Title 38 agricultural property, with a return to the state of approximately \$570,355. Managed an agricultural land portfolio for eventual disposal. The Agricultural Land and Contract Management program managed all current and active agricultural land sales and grazing lease contracts.

Provided a matching cooperative marketing grant program that helped producers make Alaska grown products more visible to the public. Provided greater consumer awareness of quality Alaskan grown products for market and export. Continued the Specialty Crop Marketing program.

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 The Emergency Food Assistance Program, TFAP commodities.

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 means growers do not have to spray their crop weekly (12 times) with herbicides.

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.

The farm products inspection program worked to prevent loss of product sales due to poor quality and prevent fraud and misrepresentation of agricultural products sold in Alaska.

Provided consumer protection through produce inspections at retail/wholesale outlets to insure produce for sale meets grade. To sell produce to the military, inspection is mandatory.

Greenhouse and nursery inspection: spot checked and responded to complaints relating to control quality, prevent contamination from pest and disease import, enhanced market for local products. Provided consumer protection by ensuring that insect and disease pests are spotted and controlled.

Provided egg grading/inspection under a cooperating federal agreement and funding. Maintained quality product, and worked to prevent consumer disease and fraud by inspection of eggs at retail/wholesale outlets to ensure eggs met Alaska state and federal regulatory requirements.

Conducted phytosanitary certificate inspections to facilitate foreign log exports, plant material, seedlings, cabbage and carrots.

Seed sampling and testing was done to maintain quality, protect the environment, prevent deception, and promote marketability. If the services were not available, many local and export market opportunities would be lost.

Made apiary inspections. Helped control pests and disease; prevent adulteration of local product, and enhanced markets. Without this assistance, disease and pest problems could destroy Alaska's growing bee industry.

Responded to noxious weed/pest control complaints and import requests; protected environment, reduced production costs; enhanced local clean markets with phytosanitary certificates on exports. Noxious weeds not previously found in Alaska have been discovered. These infestations need to be controlled and prevented from reoccurring.

Maintained cooperative agreements and inspector licensing requirements with USDA, National Plant Board, Animal and Plant Health Inspection Service (APHIS), Agricultural Marketing Service (AMS); Fresh Fruit and Vegetable (FFV); Poultry Division; and Meat Division.

Provided official USDA meat grading services through a cooperative agreement with USDA, AMS. Mt. McKinley Meat Plant in Palmer and Delta Meat and Sausage in Delta Junction have the potential of doubling current meat grading requirements.

Drafted regulations to implement the National Organic Program.

Maintained an inventory of unsold lands, classified for agriculture, for sale. Prior to offering land for sale we consult with the Board of Agriculture and Conservation. The Agricultural Land and Contract Management Section reviewed parcels for legal survey and status, provided for appraisal, conducted Title 38.945 notice, formulated terms and conditions of sale, and issued land sale and lease contracts. After sale or lease, this section monitored contract holders for compliance with their contractual agreements including farm conservation plans and development requirements. Payment schedules were monitored. If development or payments fall behind schedule and are not corrected within times set by agreement, Agricultural Land and Contract Management initiates collection and foreclosure actions. This program also monitors patented agriculture lands for compliance with statutory and regulatory requirements

By identifying and influencing demands for Alaska Grown products, the Division of Agriculture worked to keep the market share of Alaska agriculture products. Recent mergers and new businesses entering the market place made effective marketing service programs even more necessary. Worked to ensure quality grading, and to facilitate commercial transactions between producers, processors, wholesalers, and retailers based on sound market information. We have also helped with export to northwest states. Published information to promote the qualities and benefits of Alaska Grown production.

Worked to develop export markets in the Lower 48 and other countries. Although some Alaska Grown products are being successfully exported, there is a need to identify competitive advantages of Alaska products. Activities in this area include cooperating with USDA Foreign Agricultural Service (FAS) and Western U.S. Agriculture Trade Association (WUSATA).

Alaska conditions favor production of potatoes, carrots, peas, cole crops, and other vegetables of unique quality. Current fresh market share held by local producers ranges from 10-50 percent and can be increased. Our clean environment provides advantages to organic production, which will require additional certification assistance with new federal standards being adopted.

Statutory and Regulatory Authority

AS 03, AS 03.09, AS 03.10, AS 03.22, AS 38.05, AS 41.10, AS 41.17

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Agricultural Development Component Financial Summary

All dollars shown in thousands

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	751.8	857.6	889.0
72000 Travel	26.6	35.5	35.5
73000 Contractual	220.2	436.2	574.3
74000 Supplies	8.8	30.9	30.9
75000 Equipment	0.0	35.0	35.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,007.4	1,395.2	1,564.7
Funding Sources:			
1002 Federal Receipts	167.7	388.4	392.7
1004 General Fund Receipts	0.0	0.0	120.0
1005 General Fund/Program Receipts	0.0	38.5	1.5
1021 Agricultural Loan Fund	496.7	600.7	619.6
1108 Statutory Designated Program Receipts	0.0	0.0	50.0
1153 State Land Disposal Income Fund	343.0	367.6	380.9
Funding Totals	1,007.4	1,395.2	1,564.7

Estimated Revenue Collections

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Unrestricted Revenues				
State Land Disposal Income Fund	51434	1,129.2	0.0	569.1
Unrestricted Total		1,129.2	0.0	569.1
Restricted Revenues				
Federal Receipts	51010	167.7	388.4	392.7
General Fund Program Receipts	51060	0.0	38.5	1.5
Statutory Designated Program Receipts	51063	0.0	0.0	50.0
State Land Disposal Income Fund	51434	343.0	367.6	380.9
Restricted Total		510.7	794.5	825.1
Total Estimated Revenues		1,639.9	794.5	1,394.2

**Summary of Component Budget Changes
From FY2004 Authorized to FY2005 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2004 Authorized	38.5	388.4	968.3	1,395.2
Adjustments which will continue current level of service:				
-Changes to Retirement and Other Personal Services Rates	0.0	4.3	32.2	36.5
-Transfer in from Dept. of Community & Economic Development for Seed Potato Export Program	120.0	0.0	0.0	120.0
Proposed budget decreases:				
-Delete Authorization for Organic Food Sec2/Ch83/SLA03/P40/L9(HB75)	-37.0	0.0	0.0	-37.0
Proposed budget increases:				
-Nutrition and Vegetable Processing Center	0.0	0.0	50.0	50.0
FY2005 Governor	121.5	392.7	1,050.5	1,564.7

**Agricultural Development
Personal Services Information**

Authorized Positions		Personal Services Costs		
	FY2004 Authorized	FY2005 Governor		
Full-time	12	13	Annual Salaries	638,255
Part-time	0	0	Premium Pay	1,372
Nonpermanent	0	0	Annual Benefits	262,966
			<i>Less 1.50% Vacancy Factor</i>	(13,539)
			Lump Sum Premium Pay	0
Totals	12	13	Total Personal Services	889,054

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	0	0	0	1	1
Administrative Clerk II	0	0	0	1	1
Agricultural Inspect I	0	1	0	2	3
Dev Spec II, Option B	0	0	0	1	1
Division Director	0	0	0	1	1
Natural Resource Mgr II	0	1	0	0	1
Natural Resource Spec II	0	1	0	2	3
Secretary	0	0	0	1	1
Transition Manager	0	0	0	1	1
Totals	0	3	0	10	13