

**Improving Milk Processing Facilities in Milk Shortage States Federal Program**

**FY2004 Request: \$5,000,000**  
**Reference No: 37964**

**AP/AL:** Appropriation **Project Type:** Renewal and Replacement  
**Category:** Development  
**Location:** Anchorage Areawide **Contact:** Robert Wells  
**House District:** Anchorage Areawide (HD 17-32) **Contact Phone:** (907)761-3867  
**Estimated Project Dates:** 07/01/2003 - 06/30/2004

**Brief Summary and Statement of Need:**

A proposed "Milk Shortage Program" will assist states that consume more fluid milk than they produce. USDA will be authorized to grant funds for modernizing processing facilities.

| <b>Funding:</b> | FY2004      | FY2005      | FY2006      | FY2007      | FY2008 | FY2009 | Total        |
|-----------------|-------------|-------------|-------------|-------------|--------|--------|--------------|
| Fed Rcpts       | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 |        |        | \$20,000,000 |
| <b>Total:</b>   | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$0    | \$0    | \$20,000,000 |

|   |   |  |   |
|---|---|--|---|
| <input type="checkbox"/> State Match Required | <input type="checkbox"/> One-Time Project | <input checked="" type="checkbox"/> Phased Project | <input type="checkbox"/> On-Going           |
| 0% = Minimum State Match % Required           |   | <input type="checkbox"/> Amendment                 | <input type="checkbox"/> Mental Health Bill |

**Operating & Maintenance Costs:**

|                      | <u>Amount</u> | <u>Staff</u> |
|----------------------|---------------|--------------|
| Project Development: | 0             | 0            |
| Ongoing Operating:   | 0             | 0            |
| One-Time Startup:    | 0             |              |
| <b>Totals:</b>       | <b>0</b>      | <b>0</b>     |

**Additional Information / Prior Funding History:**

This is a new project request.

**Project Description/Justification:**

The challenges of today's farm economy highlight the need for grants to states to maintain fresh, safe, and reasonably priced Class I and II milk and dairy products for consumers.

To insure this outcome, local farmers must have opportunities for value-added processing. As more vertical integration and concentration occur in the structure of United States agriculture, the producers' share of profit is shrinking. At the same time, consumers are increasingly concerned about the quality and safety of their food.

Current technology in milk processing extends the shelf life of the product significantly. If this technology could be used in the Alaska dairy industry, rural villages and their residents could benefit from a fresher product. Also, the military bases that play a support role for global logistical operations could have access to supply without depending on products coming in from the lower 48. Recent supply interruptions as a result of west coast port shut downs demonstrate the vulnerability of supplying essentials to all Alaskans. Recent reports of the challenges of protecting the nations food supply point to the concentration of production in large facilities as a liability, and in fact the isolated production that occurs in Alaska has advantages, as it would be more difficult to sabotage.

Dairy farming and processing today are caught in these same trends: larger operations, vertical integration, and concentration of market share. For some smaller dairy states, and those with significant transportation issues (Alaska and Hawaii), maintaining a local component of production and processing fosters the continued health of smaller farms and the added benefit of value-added processing so that producers can maintain a reasonable share of profit.

Freshness is the bedrock of the quality food products. Deterioration of quality and vitamin loss begins to occur immediately with harvest. Milk is most healthful when consumed soon after pasteurization and packaging. Local production and processing is more likely to be able to accomplish that, and should be encouraged and supported. At the State of Alaska Capital Project Summary  
 Governor's FY04 Capital Budget  
 1/5/11 1:33:38 PM

Department of Natural Resources  
 Reference No: 37964  
 Released December 15, 2003

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same time, technology gains have improved the processing, packaging, marketing, and delivery capabilities, for safer and more efficient operations. Smaller processors, caught in a cycle of declining profits, vertically integrated markets, and ever-larger competitors, often lack the ability to set aside the substantial investment necessary to purchase those new technologies. Letting those otherwise healthy firms disappear only furthers concentration of markets and the distance from producer to consumer. The net result is a lesser quality product to the consumer.

These funds used to promote and expand the dairy industry could be used to:

- ? upgrade, design and or construct processing facilities
- ? make use of improved methods for the packaging, marketing, and delivery of Class I and Class II milk and dairy products to market and purchase processing/packaging equipment.

**Why is this Project Needed Now:**

New federal intent language outlines the following in SEC. 750. LOANS AND GRANTS TO IMPROVE MILK PROCESSING FACILITIES IN MILK SHORTAGE STATES. The Secretary is authorized to make loans and grants to expand the state of Alaska's dairy industry and related milk processing and packaging facilities. There is authorized to be appropriated \$5,000,000 to carry out this section for each fiscal year 2003 through 2007.

**Specific Spending Detail:**

Line Item Expenditures:

Personal Services \$100,000  
Travel \$20,000  
Contractual Services \$4,870,000  
Supplies \$10,000

Line Item Detail Description:

Personal Services – Manager and staff to oversee project.  
Travel – Meetings and coordination with other comparable facilities.  
Contractual Services – Contracts to perform design and other work to upgrade or replace facilities.  
Supplies – Miscellaneous operating supplies.

**Project Support:**

Farm Bureau, Farmer's Union, existing dairy processing facilities and existing producers.