

State of Alaska FY2004 Governor's Operating Budget

Department of Natural Resources Agricultural Development Component Budget Summary

Component: Agricultural Development

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Component Mission

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

Component Services Provided

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

1. Agricultural Development services aimed at improving agriculture enterprises.
2. North Latitude Plant Materials Center, which provides basic support for Alaska agriculture and other Natural Resource agencies through testing, production and development of plant materials.
3. Agricultural Revolving Loan Fund, which is an agricultural bank providing agricultural loans and managing ARLF assets.

The Division of Agriculture, in cooperation with industry representatives and at the direction of the Commissioner of the Department of Natural Resources, and the Board of Agriculture and Conservation administers agricultural policy for 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 promote economically viable development, maximize return to the state, and encourage privatization.

Agricultural Development supports the Alaska agriculture industry. The Division of Agriculture is a one-stop center for Alaska agriculture. The division provides opportunities for local producers and marketers of food, fiber, and re-vegetation materials and for other industries as well. Ultimately, this translates into expansion of the economy by providing stability and consistency to Alaska farmers. The Alaska consumer is the beneficiary of freshness, quality, and competition.

The Division of Agriculture provides marketing and production expertise to Alaska growers thereby increasing their ability to market Alaska grown products and maintain viable farms.

The division, through its 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 FY2004 are projected to include the following: 40 parcels of land in the Southcentral and Glenallen Regions aggregating about 9,000 acres with an estimated new contracts receivable value of \$1.8 million. 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.

Component Goals and Strategies

- 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 state, federal, and municipal government agencies to influence issues related to agricultural development in Alaska.
- Efforts to find an alternate operator for Mt. McKinley Meat and Sausage are being pursued. Grant funding for training programs may be an alternative plan. The facility is essential for the livestock and dairy industry in Alaska.
- Coordinate 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.
- Provide leadership and create opportunities for economic development in the wholesaler, retailer, and processor sectors. Organize farm industry meetings, and publish directories.
- Monitor approximately 116 land sale contracts for compliance with the contract terms and conditions.
- Monitor approximately 384 patented farms to ensure they comply with the State regulations.
- Work with the Board of Agriculture and Conservation 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 - 40 parcels with 9,000 acres for an estimated \$1.8 million.
- Work with contract holders 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.
- Continue to 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.
- 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. Encourage use of local products by state and federal agencies.

Key Component Issues for FY2003 – 2004

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

The division's Cooperative Marketing Program provides small-scale matching grants for Alaska Grown Promotion. Funding for this program doubled due to federal specialty crops grants.

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 branded program assistance are supported by grants and user fees.

Major Component Accomplishments in 2002

Sold a total of 1,360 acres of Title 38 agricultural property, with a return to the state of approximately \$575,000. 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.

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

Matching cooperative marketing grant program helped producers make Alaska grown products more visible to the public. Provided greater consumer awareness of quality Alaskan grown products for market and export. Implemented the Specialty Crop Marketing program. The bumper crops of potatoes were marketed including some export to the west coast.

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.

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.

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. For sale to 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.

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.

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. Control pests and disease; prevent adulteration of local product, and enhanced markets. Without this assistance, disease and pest problems could destroy Alaska's growing 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.

Led successful effort to have Alaska Fish Bone Fertilizer approved by USDA as a fertilizer source for Alaska organic growers. Continued to prepare for implementation of the National Organic Program in October 2002.

Maintained an inventory of unsold lands, classified for agriculture, for future 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.

Hosted the Western Association of State Departments of Agriculture meeting. The Director served as president very successfully and showcased Alaska agriculture and other venues to approximately 100 participants.

Statutory and Regulatory Authority

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

Agricultural Development

Component Financial Summary

All dollars in thousands

	FY2002 Actuals	FY2003 Authorized	FY2004 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	735.8	847.7	817.9
72000 Travel	56.8	22.5	30.5
73000 Contractual	389.3	303.8	434.7
74000 Supplies	17.5	21.4	30.4
75000 Equipment	4.0	0.0	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	1,203.4	1,195.4	1,348.5
Funding Sources:			
1002 Federal Receipts	276.5	207.8	386.6
1005 General Fund/Program Receipts	0.0	1.5	1.5
1007 Inter-Agency Receipts	21.9	30.0	0.0
1021 Agricultural Loan Fund	640.7	592.8	596.3
1061 Capital Improvement Project Receipts	102.3	0.0	0.0
1153 State Land Disposal Income Fund	162.0	363.3	364.1
Funding Totals	1,203.4	1,195.4	1,348.5

Agricultural Development

Proposed Changes in Levels of Service for FY2004

With the creation of 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 corpus.

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.

Summary of Component Budget Changes

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	1.5	207.8	986.1	1,195.4
Adjustments which will continue current level of service:				
-Annualize FY2003 COLA Increase for General Government and Supervisory Bargaining Units	0.0	1.1	3.4	4.5
-\$75 per Month Health Insurance Increase for Non-covered Staff	0.0	0.0	0.9	0.9
Proposed budget decreases:				
-Reduce Excess Interagency Receipt Authorization	0.0	0.0	-30.0	-30.0
Proposed budget increases:				
-USDA Animal & Plant Health Inspection Services Cooperative Agreements	0.0	177.7	0.0	177.7
FY2004 Governor	1.5	386.6	960.4	1,348.5

Agricultural Development
Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2003</u> <u>Authorized</u>	<u>FY2004</u> <u>Governor</u>		
Full-time	13	12	Annual Salaries	617,914
Part-time	0	0	Premium Pay	1,372
Nonpermanent	0	0	Annual Benefits	213,352
			<i>Less 1.77% Vacancy Factor</i>	(14,738)
			Lump Sum Premium Pay	0
Totals	13	12	Total Personal Services	817,900

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
Totals	0	3	0	9	12