

State of Alaska FY2009 Governor's Operating Budget

Department of Natural Resources Agricultural Development Component Budget Summary

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

- **Agricultural Development**, set agriculture policy and administration. Provide agricultural land to the industry through land disposals, leases, permits, and contracts. Provide marketing inspections services for Alaska Grown agriculture products.
- **North Latitude Plant Materials Center**, provide basic support for Alaska agriculture industry and other groups through testing, production and development of seed and plant materials at our Plant Materials Center (PMC). Activities are further reported in the PMC Component.
- **Agricultural Revolving Loan Fund (ARLF)**, providing agricultural loans and managing ARLF assets. Activities are further reported in the ARLF Component.

Agriculture Land:

- Sell and lease agricultural and grazing land and conducts field inspection for contract compliance with farm development and farm conservation plans.
- Administration of approximately 90 land sale contracts, monitor for compliance with the terms and conditions.
- Monitor approximately 380 patented farms to ensure they comply with State regulations.
- Administration of approximately 20 grazing leases and permits on roughly 180,000 acres, monitor 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.
- Identify and initiate land disposal projects.
- Respond to written and verbal requests for agricultural land disposal and leasing information.
- Work with contract, and patent holders to update farm conservation plans.
- Work with Soil and Water Districts (SWCD) and NRCS to prepare federal and state conservation plans.
- Review and recommend updates in regulations for agricultural sales, pest control, branding, and grazing fees.
- Participate on several statewide and local planning efforts.

Alaska Grown/Marketing:

- Maintain develop and identify markets for Alaska Grown products.
- Develop 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.
- Maintain cooperative services with US Department of Agriculture (USDA) conservation and lending agencies serving Alaska producers.
- Provide marketing, support and production expertise to Alaska growers to increase their ability to market Alaska grown products, and maintain viable farms.
- Conduct feasibility studies.
- Work with USDA to increase in federal 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).

Inspection:

- Inspection programs provide quality assurance of production.
- The entry of potentially harmful plants and products is regulated and controlled through inspection programs.
- Maintain USDA cooperative agreements in produce inspection, plant material, agricultural statistics, Federal Seed Act, Country of Origin Labeling, shell eggs and phytosanitary certification for exports.
- Maintain federal licensed staff to comply with state and federal regulations. Inspection and grading services provide quality control for agricultural production.
- 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.

End Result	Strategies to Achieve End Result
<p>A: Development and expansion of the agriculture industry in Alaska.</p> <p><u>Target #1:</u> Expand gross farm product sales by 1%. <u>Measure #1:</u> Percentage increase in value of agriculture products sold.</p>	<p>A1: Land disposals to increase the agriculture land base.</p> <p><u>Target #1:</u> Sell a minimum of 300 acres of agriculture land annually. <u>Measure #1:</u> Number of acres sold.</p> <p>A2: Conduct plant industry regulatory inspection and certification activities in the following areas: Fresh fruit & vegetable, international phytosanitary, elk farm, shell egg and brands.</p> <p><u>Target #1:</u> Conduct ~ 600 inspections requested by industry to meet statutory, federal and international contract requirements. <u>Measure #1:</u> Number of federal inspections completed.</p> <p><u>Target #2:</u> Conduct 100% of inspection services requested to meet statutory and state industry purchase contract requirements. <u>Measure #2:</u> % of state inspection requests completed.</p> <p>A3: Marketing assistance to agriculture industry.</p> <p><u>Target #1:</u> Increase producer and retail awareness in Alaska Grown programs by accomplishing 150 marketing activities. <u>Measure #1:</u> Number of completed marketing actions and activities.</p>

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • Help implement National Farm Bill through participation in NASDA and WASDA • Farm Bill priorities for Alaska are specialty crop, equip, and Wildlife Habitat Improvement project. • Set policy and manage the agricultural development program, the Northern Latitude Plant Materials Center, and the Agricultural Revolving Loan Fund. • Provide administrative support to the Board of 	<ul style="list-style-type: none"> • Maintain State Plant Health Programs to deliver pest exclusion and monitoring programs to support trade. • Issue phytosanitary certificates for export products. • Provide for organic product certification. • Continue Cooperative Marketing Program • Provide marketing assistance to farmers through information transfer. • Manage Alaska Grown program.

Major Activities to Advance Strategies

- Agriculture and Conservation.
- Prepare land sales and work with the Board of Agriculture and Conservation and Soil and Water Districts to accomplish land disposals.
- Adjudicate lease and permit applications.
- Develop new statewide grazing policy and possibly new regulations.
- Provide inspections for elk farming to meet statutory requirements.
- Conduct produce inspections for USDA grade and buyer specifications.
- Cooperate with USDA to provide shell egg surveillance.
- Provide meat grading services as requested.
- 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, statutes and regulations.
- Train staff in organic program management.

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$1,964,300

Personnel:

Full time	13
Part time	0
Total	13

Performance Measure Detail

A: Result - Development and expansion of the agriculture industry in Alaska.

Target #1: Expand gross farm product sales by 1%.

Measure #1: Percentage increase in value of agriculture products sold.

% Change and Monetary Value of Agriculture Products Sold In Million dollars

Year	Percent	YTD
2001	0	\$26.5
2002	0.87%	\$30.2
2003	0.98%	\$30.7
2004	-1.0%	\$30.3
2005	0.97%	\$31.2
2006	0.98%	\$31.9
2007	1.0%	\$32.1

Reported on an annual basis from Alaska Agricultural Statistics.

Analysis of results and challenges: The data comes from surveys conducted throughout the year by the USDA, National Agricultural Statistical Service. Because Alaska agriculture is still in a development phase we have shown small annual increases. Poor weather conditions statewide in 2004 resulted in the minor decrease in the value of products sold.

A marketing effort, called "Fresher by Far" is designed to promote Alaska Grown produce and food products to the visitor industry. 20,000 Alaska Grown table tents and 15,000 menu stickers were produced and distributed in 2006 and 2007. Staff works with executives from the Alaska Hotel & Lodging Association (AKHLA), Alaska Restaurant & Beverage Association (ARBA) and Alaska Travel Industry Association (ATIA) to compile a mailing list and we sent samples to a selection of travel and tourism industry members and interested food establishments throughout the State. This partnership has raised the awareness of the availability of Alaska Grown products. The result of this new marketing effort is expected to show in the 2008 statistics.

A1: Strategy - Land disposals to increase the agriculture land base.

Target #1: Sell a minimum of 300 acres of agriculture land annually.

Measure #1: Number of acres sold.

Acres of agriculture land sold

Year	YTD
2001	3,302
2002	0
2003	1853
2004	3,114
2005	847
2006	361
2007	440

**Reported on an annual basis. This 2007 sale resulted in \$171,600. A sale of 345 acres is being prepared by the Northern Region Office for 2008 and the South Central Region Office will offer 1308 acres.*

A2: Strategy - Conduct plant industry regulatory inspection and certification activities in the following areas: Fresh fruit & vegetable, international phytosanitary, elk farm, shell egg and brands.

Target #1: Conduct ~ 600 inspections requested by industry to meet statutory, federal and international contract requirements.

Measure #1: Number of federal inspections completed.

Federal Inspections Completed

Year	FPC	FV-300	FV-301	YTD
FFY 2002	23	153	580	756
FFY 2003	14	150	652	816
FFY 2004	17	146	359	522
FFY 2005	23	176	396	595
FFY 2006	45	73	500	618
FFY 2007	48	60	404	512*

FPC - Federal Phytosanitary Certificates

FV-300 - Commercial produce inspections

FV-301 - Military & institutional produce inspections

**Thru July 2007 two months remaining.*

Analysis of results and challenges: These three federal inspection program activities are required by government or private purchase contracts for commercial sales activity to occur. The Phytosanitary certificates, FV300 and FV301 are federal programs; the figures are based on the federal fiscal year. These federal programs and inspections cover three areas.

1. FPC Federal Phytosanitary Certification, required by importing countries as a condition to export Alaska plant products, these inspections cover over \$20 million dollars of forest and agricultural products.
2. FV300 federal inspections are requested by Alaska produce businesses as an official evaluation of produce for which a commerce claim has been made. These are legal documents in a court of law and represent approximately \$7.5 million dollars of produce.
3. FV301 federal inspections are required to sell to federal institutions, and some state institutions to determine if contracted quality and specifications are met on specified product. These inspections represent approximately \$15.6 million dollars of products annually.

Target #2: Conduct 100% of inspection services requested to meet statutory and state industry purchase contract requirements.

Measure #2: % of state inspection requests completed.

State Inspections Completed

Year	Elk Farm	AK Grown	YTD	Target
FY 2002	2	35	37	100%
FY 2003	8	26	34	100%
FY 2004	1	17	18	100%
FY 2005	2	16	18	100%
FY 2006	10	20	30	100%
FY 2007	2	39	41	100%

Elk Farm= Elk Farm inspections & licenses

AK Grown=Alaska Grown User Applications

Analysis of results and challenges: These state inspections monitor compliance with state programs. Elk farm inspections are required by statute AS 03.05.075 and occur at least bi-annually and may fall outside of the state fiscal calendar for reporting purposes. Alaska Grown program inspections fluctuate as new programs and products enter the market place.

A3: Strategy - Marketing assistance to agriculture industry.

Target #1: Increase producer and retail awareness in Alaska Grown programs by accomplishing 150 marketing activities.

Measure #1: Number of completed marketing actions and activities.

Alaskan Grown Products

Year	Food services	Farmers Market	Presentations	Contact visits	YTD	Target
2006	86	13	07	19	125	100
2007	93 +8.14%	36 +176.92%	16 +128.57%	48 +152.63%	193 +54.40%	150 +50.00%

Analysis of results and challenges: Consumers research indicates that 70% of population is now familiar with Alaska Grown product. Our focus is staff contact and public outreach which resulted in a 54.4% increase over 2006. We expect to continue this initiative to contribute to increased awareness. We provided for food service and retail market consultations, farmers market assistance projects and meetings, presentations of Alaska Grown display and products to fairs, conferences, and Producer contact visits.

Key Component Challenges

Plant pests, plant diseases, weeds, chemical contamination, potato late blight, and E. coli bacteria are some of the events that can devastate a crop, economy and the food we eat. Alaska agriculture has the potential to supply a larger percentage of food, including meat, poultry, milk, vegetable, and related products to the Alaska population. This local fresh food is the basis of a healthier population with increased independence from imported food.

Alaska agriculture is experiencing the effects of a global market place that is introducing marketing efficiencies such as blanket national pricing policies by large retail chains. Additional challenges facing the industry include state policies such as the Women and Infant and Children (WIC) program. The WIC policy requires purchase of least expensive dairy products. Such policies give retailers additional control over what kind of milk can be purchased by the consumer. While local Alaska dairy products are sold to retailers at competitive wholesale prices, retailers price local brands higher with the knowledge that the demand for local product is tremendous. The end result is a gain for the retailer and significant financial losses for local producers.

Because of these dynamics the Division of Agriculture is focusing a great deal of attention on developing local and quality consciousness in the Alaska market place. We are doing this through the Alaska Grown program and support of the farmer's markets which act as education incubators where farmers and the public interact directly. These markets

introduce up to 80 different Alaska Grown varieties which are largely unavailable in the retail stores. Eventually many of these products find their way into the local retail outlets. The states ownership and management of the Alaska Grown program has been challenged by a local chapter of the Farm Bureau and the Division continues to defend that program for the use and benefit of the farm community state-wide. The Division has held public comment meetings and drafted new regulations for the entire Alaska Grown program. These are being held pending the outcome of ongoing litigation.

The next sizable agriculture parcels are in Fish Creek in the Mat Su Valley. The best access to Fish Creek is through Mat Su Borough property. A challenge in the area of land disposal is a resistance to land sales in this area. Tremendous growth in the Mat Su Valley has provided significant competing pressures on local government to balance planning and zoning for multiple uses including residential and industrial development. There is a huge demand for small to mid sized farm parcels by young farm family entrepreneurs. Fish Creek has the potential of becoming an incubator for the small to mid sized farm that will support young families, feed into the farmer's markets, and also consume the feed produced on the larger existing agriculture projects.

An ongoing issue has been the Alaska Grown preference law and enforcing the law for state institutions to purchase Alaska Grown produce.

There was no late blight reported in 2007. A serious bout of potato late blight occurred in the 2005 crop season which triggered agency responses and coordination with farmers to put a monitoring process in place for the potato late blight. Another minor outbreak in the late 2006 season did not severely affect the potato season due to the early harvest.

Significant Changes in Results to be Delivered in FY2009

The following new and continuing project will use existing Federal authorization.

Plant Protection Projects Federal

USDA plant protection issues have resulted in federal projects and funding for Alaska and the Division of Agriculture. All pests on national and regional lists are assessed each year to determine their potential effects in Alaska. The primary focus is on new and exotic invasive, and other serious pests that might be or have been accidentally or deliberately introduced to harm the nation's agriculture environment, natural resources or economic welfare including those pests and diseases affecting trade.

- Core Project: (\$150.0).
- Alaska Gypsy Moth Survey: (\$46.0).
- Alaska Pink, Nun & Siberian Moth Survey: (\$7.5).
- Alaska Snail & Slug Survey: (\$4.0).
- Survey of Insects Introduced But Not Established: (\$6.5).
- Late Blight Testing: (\$5.0).
- Monochamus Vectored Nematode Survey: (\$4.2).
- Loosestrife and Thistle Survey: (\$11.0).

USDA Agricultural Marketing Service Federal

A Specialty Crops Block Grant Program has been made available to the State. These funds allow the State to enhance and provide competitiveness of these crops through promotion, marketing, trade, food safety, and product development. We expect \$100.0 in FY09 with \$40.0 carry forward from FY08.

- Alaska Grown Advertising: (\$30.5)
- Farmers Market Match: (\$55.0)
- Horticulture/Nursery Match: (\$20.0)

USDA Agricultural Marketing Service (\$10.0) Federal

Country of Origin Labeling Retail Surveillance (COOL). This program provides for surveillance audits of covered retail facilities to ensure compliance with the country of origin labeling provision of the 2002 Farm Bill. Staff at the Division of Agriculture has been trained to perform these inspections that are reimbursed by USDA. AMS.

USDA Agricultural Marketing Service FSMIP (\$25.0) Federal

This agreement provides for Exploring and Establishing Potential Markets for Alaska Peony and Other Cut Flowers. The objective will explore niche regional, national, and international markets for Alaska peonies and other cut flowers and to develop a marketing strategy to takes advantage of an annual seasonal deficit in world supply.

USDA Agricultural Marketing Service FSMIP (\$75.0) Federal

The Division anticipates applying for and receiving a 2008 FSMIP grant. Although the project has not been finalized yet, per the requirements of the FSMIP, the project will address barriers, challenges, and opportunities in marketing, transportation, and distribution of Alaskan food and agricultural products domestically and internationally.

USDA Agricultural Marketing Service National Organic Certification (\$12.0) Federal Funding for this program ended in FY07. We expect a new agreement that will provide cost share assistance to eligible organic producers or handlers in Alaska.

Decrement Nutrition and Vegetable Processing Center (\$30.0) SDPR
The Matanuska Susitna Borough has taken the lead and is progressing towards the construction of this facility. The facility will increase the usage of value added products.

Major Component Accomplishments in 2007

Held Plant Materials Advisory Board informational meetings to gather information from the industry to infuse new ideas and refine current practices.

An Alaska agricultural plan draft was developed in cooperation with the University of Alaska Fairbanks, School of Natural Resources and Agriculture Sciences. This plan focused on the different segments of the industry.

Inspection / Alaska Grown Marketing

Through inspections we continue to facilitate timber export. This work has generated sales of Alaska timber to China.

A matching cooperative marketing grant program and farmers market advertising grant program helped producers make Alaska Grown products more visible to the public. The Division awarded 22 matching grants to private industry to promote Alaska Grown products and services. This program is funding many projects, from nursery projects to the Senior Farmers Market Nutrition Program coupons. The CMP program is estimated to influence sales of over \$2.6 million dollars of Alaska Grown products

Division staff continue their efforts with the "Fresher by Far" program. This effort is designed to promote Alaska Grown produce and food products to the visitor industry. Alaska Grown table tents and menu stickers have been distributed to a number of interested establishments throughout the State. This partnership has raised the awareness of the availability of Alaska Grown products.

The Division continues its Memorandum of Understanding with the USDA, AMS to implement the mandatory Country of Origin Labeling (COOL) law for fish and shellfish. Division staff completed 10 Retail Surveillance Audits throughout the State, up from 6 last year. We expect this program to grow and all commodities are set to fall under COOL requirements in 2008. We were reimbursed by USDA, AMS for expenses related to this program.

The Division of Agriculture assisted producers in organic certification by cooperating with USDA to provide funding assistance for certification. In 2007 6 farms, 3 processors, and 1 livestock operation were certified organic. The Division cooperated with the Washington State Department of Agriculture to provide Alaska producers a certification program. Without this certification Alaskans would not be able to sell their products as certified organic. Sales of Alaska produced organic products are estimated at \$1.3 million.

The Alaska Farmer's Market brochure, featuring all 16 statewide Alaska farmers markets with time and location information was updated and distributed. Alaska was the feature state in the premier issue of Farmers Markets Today, a national publication. Alaska Grown point of sale materials are being distributed to retail outlets, farmers markets, and individual producers throughout the state.

Radio advertising encouraging consumers to "buy Alaska Grown" as well as announcing the fresh produce availability ran in April, June, July and August. The Alaska Grown logo was featured in print advertising on the back cover of the Anchorage Market & Festival Guide, Make-a-Scene Magazine, and the Alaska Visitors Guide.

The Division was a Cornerstone sponsor of the Alaska State Fair and sponsored or assisted in planning the Nursery & Greenhouse Conference, the Potato & Vegetable Conference, the Delta Farm Forum, as well as "Alaska Grown Day" at the Alaska State Fair, the Tanana Valley Fair, the Kenai Peninsula Fair and the South East Alaska State Fair.

By identifying and influencing demands for Alaska Grown products, the Division of Agriculture worked to keep the market share of Alaska agriculture products. Worked to ensure quality grading, and to facilitate commercial transactions between producers, processors, wholesalers, and retailers based on sound market information.

Agriculture Land

Sold a total of 440 acres of Title 38 agricultural property, with a return to the state of approximately \$171,600. An additional 345 acres will be offered by the Northern Region and we expect to offer 1308 acres in South Central that is expected to generate at least \$706,800 in FY09.

Performed 70 agriculture land inspections. One parcel is under a short term haying permit. Farm Conservation Plans were completed and approved.

Statutory and Regulatory Authority

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

Contact Information
<p>Contact: Franci Havemeister, Director Phone: (907) 761-3867 Fax: (907) 745-7112 E-mail: Franci.Havemeister@alaska.gov</p>

Agricultural Development Component Financial Summary

All dollars shown in thousands

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	975.8	1,053.1	1,142.1
72000 Travel	57.1	52.5	52.5
73000 Services	537.1	787.9	713.4
74000 Commodities	37.4	49.3	49.3
75000 Capital Outlay	0.0	7.0	7.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,607.4	1,949.8	1,964.3
Funding Sources:			
1002 Federal Receipts	328.2	659.6	659.6
1004 General Fund Receipts	683.3	781.7	809.7
1005 General Fund/Program Receipts	0.0	1.5	1.5
1007 Inter-Agency Receipts	4.1	0.0	0.0
1021 Agricultural Loan Fund	131.4	0.0	0.0
1108 Statutory Designated Program Receipts	0.0	30.0	0.0
1153 State Land Disposal Income Fund	305.0	477.0	493.5
1188 Federal Unrestricted Receipts	155.4	0.0	0.0
Funding Totals	1,607.4	1,949.8	1,964.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
State Land Disposal Income Fund	51434	281.0	42.3	23.8
Unrestricted Fund	68515	0.3	0.0	0.0
Unrestricted Total		281.3	42.3	23.8
Restricted Revenues				
Federal Receipts	51010	483.6	659.6	659.6
Interagency Receipts	51015	4.1	0.0	0.0
General Fund Program Receipts	51060	0.0	1.5	1.5
Statutory Designated Program Receipts	51063	0.0	30.0	0.0
State Land Disposal Income Fund	51434	305.0	477.0	493.5
Restricted Total		792.7	1,168.1	1,154.6
Total Estimated Revenues		1,074.0	1,210.4	1,178.4

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	783.2	659.6	507.0	1,949.8
Adjustments which will continue current level of service:				
-Correct Unrealizable Fund Sources for Salary Adjustments: GGU	10.2	-10.2	0.0	0.0
-ETS Chargeback Redistribution	0.6	0.0	0.0	0.6
-FY 09 Health Insurance Increases for Exempt Employees	0.2	0.0	0.0	0.2
-FY 09 Bargaining Unit Contract Terms: General Government Unit	17.0	10.2	16.5	43.7
Proposed budget decreases:				
-Delete Excess Statutory Designated Program Receipts	0.0	0.0	-30.0	-30.0
FY2009 Governor	811.2	659.6	493.5	1,964.3

**Agricultural Development
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2008</u> <u>Management</u> <u>Plan</u>	<u>FY2009</u> <u>Governor</u>		
Full-time	13	13	Annual Salaries	725,495
Part-time	0	0	COLA	43,265
Nonpermanent	0	0	Premium Pay	1,318
			Annual Benefits	402,617
			<i>Less 2.61% Vacancy Factor</i>	<i>(30,553)</i>
			Lump Sum Premium Pay	0
Totals	13	13	Total Personal Services	1,142,142

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant II	0	0	0	1	1
Administrative Clerk II	0	0	0	1	1
Administrative Manager III	0	0	0	1	1
Agricultural Inspect I	0	0	0	2	2
Dev Spec I, Option B	0	0	0	1	1
Dev Spec II, Option B	0	0	0	1	1
Division Director	0	0	0	1	1
Natural Resource Mgr I	0	1	0	0	1
Natural Resource Mgr II	0	0	0	1	1
Natural Resource Spec II	0	1	0	2	3
Totals	0	2	0	11	13