

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular teleconference meeting of the Board of Agriculture & Conservation (BAC) was held November 12, 2009 at the Division of Agriculture conference room, 1800 Glenn Highway, St.12, Palmer, Alaska. Chair Kristan Cole called the meeting to order at 3:00 p.m.

Boardmembers present and establishing a quorum were:

Ms. Kristan Cole, Chair
Mr. John Schirack, Vice Chair
Mr. Ben VanderWeele, Boardmember
Mr. Al Poindexter, Boardmember
Mr. Stuart Davies, Boardmember
Dr. Anthony (Tony) Nakazawa, Boardmember (telephone)
Mr. Chris Flickinger, Boardmember

Staff in attendance was:

Ms. Franci Havemeister, Director
Ms. Lora Haralson, Administrative Assistant
Ms. Candy Easley, Loan Officer
Mr. Ray Nix, Asset Manager
Mr. Robert McFarlane, AAG, Dept. of Law
Ms. Olga Lotosh, Accountant II ARLF, Financial Services
Ms. Cristin Cowles-Brunton, Supervisor, Financial Services

B. APPROVAL OF AGENDA

Asset Manager Nix asked to add the Knopp lease discussion under Executive Session.

MOTION: Boardmember VanderWeele moved to approve the agenda as amended.

Boardmember Flickinger seconded.

No objections were received.

The agenda was approved.

C. PUBLIC COMMENTS/SESSION

(No public comments were made).

D. MINUTES OF PRECEDING MEETING October 15, 2009

MOTION: Vice Chair Schirack moved to approve the minutes of October 15, 2009.

Boardmember VanderWeele seconded.

No objections were received.

The minutes were approved.

E. REPORTS/CORRESPONDENCE

1. Division Update/Division Newsletter/AK Grown Policy

Director Franci Havemeister:

- Stated a Director's policy regarding the Alaska Grown Certification program was sent out October 31, 2009 and was posted on the Division of Agriculture website.
- The policy covers the promotional side of handling the Alaska Grown Logo.
- Industry has indicated they would like to re-address the termination date of March 31, 2010 because it would not give them time to liquidate all their stock.

Boardmember VanderWeele:

- Stated he does not agree with the Alaska Grown Policy and would like to discuss it further.
- It is a fantastic program and the purpose of it is to have the people of Alaska know what Alaska Grown stands for.
- Currently, there are many sales of T-shirts, ball caps and sweatshirts and by those sales, Alaska Grown promotion is being received by the public.
- Stated with the new policy the major distribution outlets will not be able to sell the Alaska Grown promotional items.
- He wants the Alaska Grown Logo out as much as possible.
- A positive discussion was held with the Director, him and two other industry representatives and he would like more discussions held.

Director Havemeister stated the policy stands as is but she has received concerns from industry so the policy will be re-addressed.

Boardmember VanderWeele indicated he wants to be involved with the discussions.

Director Havemeister will give the Board an update at the next BAC meeting.

Director Havemeister will contact Boardmember VanderWeele and Vice Chair Schirack to review the agriculture long range term document regarding updates.

2. Asset Report

Asset Manager Ray Nix:

- Stated no offers for the Palmer Feed Mill Property (ARLF Sale #09-01) have been received.

3. ARLF Financials

ARLF Accountant Olga Lotosh:

- Reviewed the September ARLF financial reports.

4. ARLF FY09 Year End Reports

ARLF Accountant Olga Lotosh and Financial Services Manager Cris Cowles-Brunton:

- Reviewed the ARLF FY09 year end reports.

The Board had comments and questions regarding the ARLF FY09 Year End Reports.

Chair Cole:

Q: When the Creamery Corporation transfers their final assets, how will it appear on the financials? Will it show on the income statement?

A: Yes.

Boardmember VanderWeele:

Q: Why are the ARLF FY 09 operating expenses personal services doubled and why are the travel expenditures so high?

A: *Personal services are set by the Division of Finance who obligates more funds as an estimate for absence compensation and leave.*

A: *The travel expenses are based upon where the Board travels from for the meetings including airline, car rentals and hotels if necessary.*

Chair Cole:

Q: Where is the \$600,000 money that the Creamery Corporation received from the legislature and the Creamery Corporation paid back to the Division?

C: There is a big disagreement whether that goes to the Agricultural Revolving Loan Fund (ARLF) or to the General Fund (GF).

C: Stated she wants a final determination made so if it goes to the GF, there is time to discuss the funds during the legislative session.

Boardmember Davies:

Q: Does the Board have a written policy to carry the \$125,000 to \$150,000 loss per year on Mt McKinley Meat & Sausage (MMM&S).

Q: Is there a historical that I don't know about?

Q: Is the loss paid for out of ARLF?

Chair Cole:

A: *The Farmers want MMM&S to continue operation.*

A: *The resolution was sent to Department of Corrections (DOC) Commissioner Schmidt, as well as numerous meetings on how we eliminate the loss for MMM&S, specifically funding for the training of the inmates.*

A: *A lot has been done at reducing the costs in the past.*

Boardmember Flickinger:

Q: Does MMM&S ship in a lot of products?

A: Yes, MMM&S receives pass through products.

FOLLOW UP AGENDA ITEMS FOR NEXT BAC MEETING:

Supervisor Cowles-Brunton:

- Will check on the personal services and present an update to the Board at the next meeting.
- Will find out if ARLF is receiving interest on the funds and what is the difference between the ARLF fund and AEIDA or the Mental Health Trust Fund and update the Board at the next meeting.

Director Havemeister:

- Will do a follow up regarding the \$600,000 and will update the Board at the next BAC meeting.

5. ARLF Applications in Process

(The Board had no questions).

6. AAG Report

AAG McFarlane:

- Reviewed the public AAG report.

AAG McFarlane stated in the Executive Session he will be discussing confidential financial records regarding Hans Geier.

F. EXECUTIVE SESSION

Boardmember Nakazawa disclosed that he works closely with Hans Geier at the University and it may be a potential conflict of interest relating to that portion of the Executive Session and asked to be excused from that discussion.

Chair Cole stated Boardmember Nakazawa could be excused from the Hans Geier discussion in Executive Session.

Chair Cole stated the Executive Session was held to consider one loan application, the Knopp Lease and the AAG Report which is attorney client privilege.

MOTION: Boardmember VanderWeele moved to go into Executive Session.
Boardmember Davies seconded.

VOTE: The motion passed without objection.

The Executive Session included Chair Kristan Cole, Vice Chair Schirack, Boardmember Ben VanderWeele, Boardmember Al Poindexter, Boardmember Chris Flickinger, Boardmember Tony Nakazawa, Boardmember Stu Davies, Director Franci Havemeister, AAG Robert McFarlane, Asset Manager Ray Nix, and Administrative Assistant Lora Haralson.

Loan Officer Candy Easley attended the loan delinquency discussion only.

Boardmember Nakazawa did not attend the Execution Session portion when the Hans Geier issue was discussed.

AGENDA ITEMS FOR NEXT BAC MEETING:

Chair Cole stated if there are loan or asset lease delinquencies they will be added to the Executive Session.

PUBLIC SESSION ACTION ITEMS

7.	<u>Sutton Loan</u>	<u>Development Loan</u>	<u>Approved</u>
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MOTION: Boardmember VanderWeele moved to approve the W. Wayne Sutton - F loan as recommended by the loan officer:

1. \$105,000 @ 4.50% for 30 years payable by monthly payments.
2. Secured by the 1st Deed of Trust on subject property.
3. Standard Lenders Title Insurance.

Boardmember Poindexter seconded.

VOTE: The motion passed without objection.

Chair Cole stated for the record Boardmember Nakazawa did not participate in the discussion regarding the AAG McFarlane's report due to a conflict of interest.

G. NEW/OLD BUSINESS

H1N1 notice

Boardmember Davies:

- Wanted to ensure the public that eating pork products would not cause the H1N1 virus.

Director Havemeister:

- Stated in the Division newsletter it was addressed that HIN1 should not be referenced to as "Swine Flu".
- The National Agriculture State Departments of Agriculture and USDA are involved with the discussions.
- The State Department of Health and Social Services was contacted to make sure the correct term is used.

MMM&S Committee Update/Resolution

Chair Cole:

- Stated the MMM&S resolution was given to DOC Commissioner Schmidt last week and he asked that he have some time to work on it to get

answers before it is released.

- She will follow up with him on Monday, November 16th and if no solution is found, the resolution will be distributed to the legislature so it can be addressed at the coming legislative session.

H. BOARDMEMBER COMMENTS

Boardmember VanderWeele:

- Stated that the BAC should do more than approve loans.
- Recited the mission statute that states “The BAC encourages and promotes the development of Agriculture as an industry throughout the State of Alaska”.
- He would like more marketing done of Alaska Grown Products.

Boardmember Poindexter:

- What does promote mean?
- Does it mean that we can buy infrastructure?
- Does it mean that we can buy advertising?

AAG McFarlane:

- Stated a potential new market could be shell fish.
- Director Havemeister and he met with DOC on the 7% preference deal which is making progress.
- The Board needs to determine what they want to do and he will see if it is legal.

Chair Cole:

- Can the Board advertise on the radio promoting Alaska Grown?

Boardmember Flickinger:

- Stated that the Division of Agriculture should be the Department of Agriculture, not a Division under Department of Natural Resources (DNR).

Director Havemeister:

- Stated the Division is better funded if it is under DNR.

Boardmember Davies:

- Stated does Alaska Grown mean food self sufficiency?
- If that is what it means, can the State survive on Alaska Grown?
- Alaska has been held hostage to a number of Corporations since its inception.

Chair Cole:

- Stated Alaska is geographically different in many ways and our food supply only lasts so long. That is a challenge to have the State come out

and say we will only grow our own food.

- Stated several past marketing campaigns have had an impact with the consumer's awareness of local product.
- What is the Board's limitation via statute regarding promoting Alaska Grown products?
- Radio announcements and jingles help consumers to remember to buy Alaska Grown and people want to support the local products.

Boardmember Poindexter:

- Stated promotion encompasses more than marketing.
- Promotion is how we get more farmers.
- How do we increase the amount of product produced?
- How do we increase our market?
- How do we get more young people involved in agriculture?
- When agriculture topics are introduced in a classroom the students go nuts and they love it.
- There are no teachers who have the knowledge or the interest.
- The School Districts suppresses that kind of education.
- The Board needs to have a conference with the Commission of the Education.
- The Division of Agriculture should be interfacing with Division of Mining Land & Water (DMLW) about how to get more good agriculture land and how can we promote access to those agriculture land.

Director Havemeister:

- Stated she will discuss a meeting with the Commissioner of Education with DNR Commissioner Irwin to see if he could address the issue of agriculture education in the classroom.
- Stated the Division has two employees who work closely with DMLW regarding agriculture parcels.

Boardmember Davies:

- Stated there are thousands of acres of agriculture land not in production.
- Pt. MacKenzie has agriculture land and how much of that land is truly being farmed?
- How many of our borrower's are full-time farmers?
- Stated our borrowers would not be farming unless they have a secondary income.
- How can our farmers compete with outside producers?

Vice Chair Schirack:

- Stated we have prime agriculture land in Palmer that is being used for industrial purposes.

Director Havemeister:

- Stated once land is sold as agriculture it has agriculture covenants and can't be sold later unless it is for agriculture purposes.

Chair Cole:

- Asked AAG McFarlane to research if the BAC can spend money on actual promotion (i.e. marketing campaign) and a sponsorship of an FFA program.

Boardmember Davies:

- Stated that enforcing the 7% preference right is good, but there are vegetables that are not being eaten by our children or prisoners.

AAG McFarlane:

- Stated that Director Havemeister and he had discussions with DOC and have established an agreement that will increase sales of Alaska grown products.
- If there are other Departments that are not using the 7% preference right, unless they are aware they can't do anything.

Boardmember Davies:

- Stated that farmers are entrepreneurs. They will borrow money and take risks if they know they can sell their products.

I. SET NEXT MEETING & AGENDA ITEMS

The next Board of Agriculture & Conservation meeting will be in person held on Thursday, January 21, 2010 at 3:00 p.m.

Chair Cole stated no meeting will be held in February and next regular scheduled meeting will be in March 2010.

J. ADJOURNMENT

MOTION: Boardmember Davies moved to adjourn.
Boardmember Flickinger seconded.

VOTE: The motion passed without objection.

The meeting was adjourned at 4:50 p.m.