

A. ESTABLISHMENT OF QUORUM AND ROLL CALL

The regular meeting of the Board of Agriculture & Conservation (BAC) was held January 30, 2012 at the Division of Agriculture conference room, 1800 Glenn Highway, St.12, Palmer, Alaska. Chair Ben VanderWeele called the meeting to order at 1:00 p.m.

Board members present and establishing a quorum were:

Mr. Ben VanderWeele, Chair
Mr. John Schirack, Vice Chair
Mr. Stuart Davies, Board member
Ms. Deidre Berberich, Board member
Mr. Chris Flickinger, Board member (telephone)
Mr. Troy Shelden, Board member

Staff in attendance was:

Ms. Franci Havemeister, Director
Mr. Curt Sandvik, Administrative Officer II
Ms. Lora Haralson, Administrative Officer
Mr. Robert McFarlane, AAG, Dept. of Law
Ms. Amanda Swanson, ARLF Loan Officer
Ms. Olga Lotosh, ARLF Accountant
Mr. Ed Fogels, Deputy Commissioner, DNR (telephone)

B. APPROVAL OF AGENDA

Additions to Agenda:

- G. Farm Record Keeping – Board member Berberich
- G. Alaska Growers School – Chair VanderWeele

MOTION: Board member Davies moved to approve the agenda as amended.

SECOND: Vice Chair Schirack seconded the motion.

No objections were received.

The agenda was approved as amended.

C. PUBLIC COMMENTS/SESSION

Palmer ARLF Property Discussion

Doug Griffin and Glen Price from the City of Palmer updated the board regarding the City acquiring the Palmer (Mat Maid Block) ARLF property with a land exchange option with the Department of Natural Resources (DNR).

Deputy Commissioner Ed Fogels stated he has not had a chance to discuss with the Department of Law the latest proposal received from the City of Palmer. He indicated discussions would need to be held and it will take time to find comparable replacement parcels. The process to locate land exchanges would need appraisals, survey requirements and public notice.

AAG McFarlane stated that the ARLF regulations give ARLF the authority for disposal of Palmer property in a DNR land exchange.

Doug Griffin, City of Palmer stated the negotiations with other property owners to acquire their blocks by selling bonds will begin soon however, it will take 4-6 months. The City of Palmer would like to reach a negotiation with the ARLF by December 2012.

Deputy Commissioner Ed Fogels stated the key is what lands are available for the land exchange in order to give back to the ARLF agriculture lands which are comparable. He stated the Department is looking at possibilities and will have a much better idea of what land can be exchanged.

Valley Dairy, Inc.

Karen Olson read an updated report of Valley Dairy, Inc.

Members of the Public

Wayne Brost stated that the family working on his dairy farm wants to buy some of his cows and equipment. The family will be making an application with the ARLF in the next month or two.

Wayne Brost stated he wants someone to clarify easements/restrictions and wetland status on agriculture land.

E. MINUTES OF PRECEDING MEETING

October 3, 2011 Meeting Minutes

MOTION: Vice Chair Schirack moved to approve the minutes of October 3, 2011.

SECOND: Board member Berberich seconded the motion.

DISCUSSION:

Board member Davies stated he wanted the following comments on record and to include it on the January 30, 2012 meeting minutes.

Board member Davies stated he made a motion on the October 3, 2011 meeting regarding that no future ARLF funds be used to subsidize the ongoing

operations of Mt. McKinley Meat & Sausage (MMM&S) Company. During the discussion one of the reasons that he made the motion is that the bulk of MMM&S receipts of 80% or more comes from the importation, distribution and sale of outside meat, not Alaska meat. In his review of the operation he noticed a lot of the meat and product that is in the freezer at MMM&S is not even American meat and he further went on to say that if we are going to promote the board would get a “black eye”, he believed he used that word “black eye” by not promoting the Alaska Grown products when we have a very strong Alaskan Grown section within the Division. The motion failed but he wanted to have some of that language at least on record. The motion failed by 5 no votes and 1 yes vote by Board member Davies. Please note the formal motion is listed on the October 3, 2011 minutes.

VOTE ON OCTOBER 3, 2011 MINUTES

VOTE: The motion passed with 6 yes votes. Chair VanderWeele, Vice Chair Schirack, Board member Davies, Board member Flickinger, Board member Berberich and Board member Shelden voted yes.

October 26, Meeting Minutes

MOTION: Board member Berberich moved to approve the minutes of October 26, 2011.

SECOND: Board member Davies seconded the motion.

VOTE: The motion passed with 6 yes votes. Chair VanderWeele, Vice Chair Schirack, Board member Davies, Board member Flickinger, Board member Berberich and Board member Shelden voted yes.

F. REPORTS/CORRESPONDENCE

Director Havemeister:

1. Division Update/Division Newsletter/Agriculture Long Range Plan:

- Deputy Commissioner Fogels and Director Havemeister were in Juneau on January 17, 2012 to testify in front of the House Resources Committee. The hearing was two hours strictly on agriculture issues and went very well. The committee is supportive of the industry and had many questions. At the end of the hearing Bryce Wrigley testified representing the Farm Bureau as well as Ron Illingworth representing Alaska Grower’s Peony Association (AFCA).
- Attended the Peony Growers Association meeting in Girdwood. Alaska has the opportunity to produce Peony in July, August and September where they are not available any place else in the world. Standing order

for 100,000 stems.

- Introduced the new Loan Officer Amanda Swanson.
- Discussed the Division of Agriculture Long Range Draft plan and requested industry input. The first meeting has been held and a second meeting will be announced soon. She asked the BAC to attend and will let them know when a meeting has been scheduled.

Vice Chair Schirack commented on the Director's report under the central region inspection and potato issues. He wondered if Mr. Campbell was involved. After reading the information that there is a major issue with potato stock it is very important that the PMC and Mr. Campbell continue to be involved.

Director Havemeister stated Mr. Campbell is involved. He was out in the field and it was addressed at that time and made known that it occurred. It was found in a table stock growers field which was not a certified field.

2. ARLF History/Overview:

- Presented an ARLF history overview document to the board.

The board held a discussion regarding ARLF history of funding and the ARLF assets.

Board member Davies commented:

- The history of the ARLF predates Statehood.
- The BAC has control over ARLF funds and assets.
- ARLF funds were used to run the Division when the State experienced a shortfall that created depletion in ARLF funds.
- The board needs to think about trading valuable ARLF assets.

Director Havemeister stated that was \$475,000 put into the fund prior to Statehood. The remaining of the funds came after statehood.

AAG McFarlane stated that MMM&S is an ARLF asset. The ARLF has the responsibility to manage that asset to maximize the return to the State. Efforts have been made to liquidate the business however, that has not worked out.

ARLF Loan Officer Swanson:

3. Presented the ARLF interest Rates & Good Borrower Credit

- Reviewed the current interest rates comparable to the ARLF rates and recommended no change in the ARLF Loan Interest Rates and 0% on the Good Borrower Credit (GBC) Rate for 2012.

MOTION: Board member Davies moved to keep the interest rates for 2012 the same and no GBC credits for 2012.

SECOND: Board member Flickinger seconded the motion.

- Short term = 3.00%
- Chattel = 4.00%
- Development = 4.50%
- Irrigation = 4.50%
- Product Process = 4.50%
- Land Clearing = 4.50%
- Real Estate = 4.50%
- GBC = 0.00%

VOTE: The motion passed with 6 yes votes. Chair VanderWeele, Vice Chair Schirack, Board member Davies, Board member Flickinger, Board member Berberich and Board member Shelden voted yes.

4. Applications in Process *(The Board had no questions).*

5. Asset Report

- Reviewed the January asset report.

The board held a discussion regarding the Kenai Spur property and the Palmer Feed Mill Property.

Board member Davies stated the Palmer property is listed as a feed mill, it is listed as the old Mat Maid property as an over the counter offering. He is not clear if that is not enough advertising to move the property. It currently is on record but, you have to dig through public records. He stated it might be a good idea to list the property with a realtor and negotiate a sells percentage? Is that something the Loan officer could research?

MOTION: Board member Davies moved that the ARLF Loan Officer explore the possibility of listing the property with a realtor and report back to the board at the next meeting.

SECOND: Board member Shelden seconded the motion.

VOTE: The motion passed with 6 yes votes. Chair VanderWeele, Vice Chair Schirack, Board member Davies, Board member Flickinger, Board member Berberich and Board member Shelden voted yes.

ARLF Accountant Lotosh:

6. Financial Report

- Reviewed the December 2011 financials.

AAG McFarlane:

7. Public Session Report

The Board asked about the Geier equipment list. Loan Officer Swanson will acquire a current list and the condition of equipment to present at the next Board meeting.

AAG McFarlane stated Geier is in Chapter 13 and according to that plan he is required to make payments and if he cannot make the payments ARLF will get the equipment back.

AAG McFarlane stated on December 20, 2011 the Creamery Corporation transferred all assets to the ARLF, but the checking account. He spoke to Jon Givens, Attorney from the Creamery Corporation who is working on closing the checking account and transferring the funds back to the ARLF.

AAG McFarlane stated HB 121 is now in legislation for mariculture loans which are shell fish farmers and if it is passed it will go into the Department of Commerce to administer.

AAG McFarlane stated the Creamery Board had other assets that ARLF may liquidate.

Director Havemeister and Loan Officer Swanson will review the assets and will try to obtain an appraisal to present options to the board at a future meeting.

Executive Session Disclosures:

Director Franci Havemeister removed herself from the room/discussion and vote during the Valley Dairy, Inc. report and Valley Dairy, Inc. Loans due to a potential conflict of interest.

Chair VanderWeele removed himself from the room/discussion during the Executive Session of Alaska Chip Company and will excuse himself from the vote.

Vice Chair Schirack removed himself from the room/discussion during the Executive Session of Alaska Chip Company and will excuse himself from the vote.

F. EXECUTIVE SESSION

MOTION: Chair VanderWeele moved to go into Executive Session to review the ARLF Aging/Delinquency report, AAG Report, ARLF loans for the Alaska Chip Co., Knopp Lease Extension, Valley Dairy, Inc. loans, Valley Dairy, Inc. update and Mid State Meat update.

Members of the public that had asked to attend only the Executive Session for Mid State Meat update was Fritz Wozniak.

Members of the public that had asked to attend the Valley Dairy Inc., update and Valley Dairy Inc., loans were Karen Olson, Rob Wells, Veronica Brost from Valley Dairy, Inc. and David Weatherhold and Eric Downey from the Alaska Manufacturing Extension Partnership, Inc. (AMEP).

No objections were received.

The Executive Session for the Mid State Meat Report included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger, Board member Troy Shelden, Director Franci Havemeister, AAG Robert McFarlane, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson. Member of the public Fritz Wozniak from Mid State Meat attended this session.

The Executive Session for the Valley Dairy, Inc. update report included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger, Board member Troy Shelden, AAG Robert McFarlane, ARLF Loan Officer Amanda Swanson, Administrative Officer II Curt Sandvik and Administrative Officer Lora Haralson. Karen Olson, Rob Wells, Veronica Brost from Valley Dairy, Inc., and David Weatherhold and Eric Downey from AMEP attended this session. Director Franci Havemeister was not in the room for this discussion.

The Executive Session for the Valley Dairy, Inc. loans report included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Stuart Davies,

Board member Deidre Berberich, Board member Chris Flickinger, Board member Troy Shelden, AAG Robert McFarlane, ARLF Loan Officer Amanda Swanson, Administrative Officer II Curt Sandvik and Administrative Officer Lora Haralson. Karen Olson, Rob Wells, Veronica Brost from Valley Dairy, Inc., and David Weatherhold and Eric Downey from AMEP attended this session. Director Franci Havemeister left the room for this discussion.

The Executive Session for the ARLF Aging/Delinquency Report, AAG Executive Session Report and Knopp Lease Extension included Chair Ben VanderWeele, Vice Chair John Schirack, Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger, Board member Troy Shelden, Director Franci Havemeister, AAG Robert McFarlane, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson.

The Executive Session for the Alaska Chip Co. loan included Board member Stuart Davies, Board member Deidre Berberich, Board member Chris Flickinger, Board member Troy Shelden, Director Franci Havemeister, AAG Robert McFarlane, ARLF Loan Officer Amanda Swanson and Administrative Officer Lora Haralson. Chair Ben VanderWeele and Vice Chair John Schirack left the room for this discussion.

PUBLIC SESSION ACTION ITEMS

11. Alaska Chip Co. Short-term Loan Approved

MOTION: Board member Flickinger moved to approve the Alaska Chip Co., LLC – S loan as recommended by the loan officer:

1. \$50,000.00 @ 3.00% for 1 year payable by monthly payments beginning August 15, 2012.
2. Secured by 2nd Deed of Trust on Subject Farm Property.
3. Standard Lenders Title Insurance.
4. Property Insurance with ARLF as Mortgagee & Loss Payee.
5. Majority shareholders Ralph and Darcy Carney sign as co-borrowers with Alaska Chip Company.

SECOND: Board member Shelden seconded the motion.

VOTE: The motion passed with 4 yes votes. Board member Davies, Board member Berberich, Board member Flickinger and Board member Shelden voted yes. Chair VanderWeele and Vice Chair Schirack recused themselves from the vote.

12. Knopp Lease Extension Approved

MOTION: Board member Berberich moved to approve the Paul E. Knopp six month lease extension to allow time to complete the purchase of ARLF Lease #40005 to July 1, 2012.

SECOND: Board member Davies seconded the motion.

VOTE: The motion passed with 6 yes votes. Chair VanderWeele, Vice Chair Schirack, Board member Davies, Board member Flickinger, Board member Berberich and Board member Shelden voted yes.

13. Valley Dairy, Inc. Short-term Loan Extension Approved

MOTION: Board member Shelden moved for approval of Valley Dairy's Request for a 5 month deferral of payments on the following conditions:

- a. That during the deferral period, Valley Dairy will be required to pay interest of \$442.00 per month on the outstanding principal balance;
- b. That during the deferral period, Valley Dairy agrees to sell 10,000 pounds of its cheddar cheese to the Department of Corrections (or another willing buyer) at a rate to be negotiated by the parties; and
- c. That the proceeds of any cheese sales to the Department of Corrections (or to other buyers) must be paid directly to the ARLF to reduce the balance owing on loan S-5444.

The board finds there is reasonable cause to grant Valley Dairy a five month payment deferral on loan S-5444 with the above stated conditions for the following reasons: Valley Dairy is experiencing cash flow problems and is unable to make the payments on this loan. It is presently working with AMEP to obtain funds to pay off this loan. AMEP has advised the ARLF loan officer that there is a realistic possibility that financing can be found to pay off the S loan in the next five months. The only alternative to granting a deferral is to turn the matter over to the attorney general's office for collection. If this loan was turned over for collection it would likely result in the dairy going out of business and this would result in a substantial loss to the ARLF. The best option for the ARLF to recover the principal and interest on this loan is to give the dairy a five month payment deferral while it attempts to obtain financing to pay off the loan. The requested payment deferral should also enable the dairy to bring the late payments on its "F" loan current.

The payments on the S loan are currently due each Friday and the next payment is due on Friday, **February 3, 2012**. A five month payment deferral with interest only payments from **February 3, 2012** would give Valley Dairy until Friday, **June 1, 2012** to pay off the S loan. If the S loan has not been paid off before **June 1, 2012** the weekly payments of **\$1,625.00** per week must resume on **June 1, 2012** and the entire loan balance due will be due on **August 31, 2012**. There will be no late fees assessed during the 5 month deferral period. Valley Dairy must promptly sign any loan modification agreement and other documents the division may require in order to properly document this agreement. Failure to promptly sign the required loan

modification agreement and any other documents that may be required by the board is grounds for revocation of the board's decision to authorize this modification.

SECOND: Vice Chair Schirack seconded the motion.

VOTE: The motion passed with 6 votes. Chair VanderWeele, Vice Chair Schirack, Board member Flickinger, Board member Davies, Board member Berberich and Board member Shelden voted yes.

14. Valley Dairy, Inc. Equipment Loan Approved

MOTION: Board member Shelden moved to approve the Valley Dairy Inc., – F loan as recommended by the loan officer:

1. Monthly payments of \$1,500.00 beginning February 1, 2012 with a final balloon payment of \$237,340.58 due December 1, 2016.

The board finds there is reasonable cause to grant Valley Dairy's request to modify the monthly payment amount on the Creamery note. The facts relevant to the extension of Valley Dairy's S loan are also relevant to the modification of the Creamery note. Valley Dairy is currently experiencing cash flow problems and the payments on the Creamery note are seriously delinquent. Modification of the Creamery note to reduce the monthly payments to \$1,500.00 per month would give the dairy the ability to make those payments while it attempts to refinance the S loan (S-5444). Modification of the Creamery note should also help the dairy's cash flow and enable it to bring the F loan (F-5172) payments current. The only alternative to modification of the Creamery note is to turn the matter over to the attorney general's office for collection. If the matter was turned over for collection, the dairy would most likely go out of business and this would result in a substantial loss to the ARLF. The best option for the ARLF to recover the amount owing on the Creamery note is to modify the note to reduce the payments to a manageable level and give the dairy time to get its financial house in order. The payments on the Creamery note will be reduced to \$1,500.00/month commencing February 1, 2012 until December 1, 2016, at which time a balloon payment for the unpaid balance will be due. Valley Dairy must promptly sign a modification agreement and any other documents the division may require in order to accomplish the terms of this note modification. Failure to promptly sign the loan modification documents is grounds for revocation of this decision.

SECOND: Board member Davies seconded the motion.

VOTE: The motion passed with 6 votes. Chair VanderWeele, Vice Chair Schirack, Board member Flickinger, Board member Davies, Board

member Berberich and Board member Shelden voted yes.

G. NEW/OLD BUSINESS:

Chair VanderWeele – Department of Agriculture discussion:

The board held a discussion regarding the proposed Department of Agriculture.

He stated as a private citizen and not as a BAC member, he does not agree with a new Department of Agriculture.

Board member Davies stated the minutes from the State Farm Bureau meeting held in November were published in the Farm Bureau news letter and the Alaska Newspaper Delta Wind to create a Department of Agriculture. In the legislature HB 191 discusses the Department of Agriculture which reads as combining the Department of Environmental Conservation and the Division of Agriculture no funds attached. He feels it should be seriously considered, as we need a renewable resource because we depend on food supplies from outside. If we had 100 more Ben VanderWeele farms we could start producing our own food.

Vice Chair Schirack stated it sounds good but, in reality it will create more bureaucracy and more paper pushing.

Board member Davies stated he read the entire HB 191 and it was a bad bill. It was a total bureaucratic function that reports everything in storage. What we need is a marketing program and focusing on getting people to buy the product. We don't need a Department to do it. He stated we don't have a red meat or dairy industry in the State.

Vice Chair Schirack stated we are never going to be able to feed ourselves. Can it be done through the Division? By having a Department instead it is going to get done?

Board member Davies stated a Department will give us more standards. A cabinet level appointee would have a personal contact with the Governor. Director Havemeister has to answer to the Deputy Commissioner or the Commissioner. The Commissioner talks more to the Governor than the Director does. Consolidating the Department of Environmental Conservation (DEC) and the Division of Agriculture makes more sense to him. Bryce Wrigley indicated that when he put his flour mill together he had to go to DEC to get approval. The Department of Agriculture doesn't need to spend more money. He stated it won't happen unless the farming communities get together. Bernie Karl met with Commissioner Sullivan and the Commissioner stated he would be more engaged. Without Bernie Karl on board and a lot of other influential people it won't happen.

Chair VanderWeele stated the Division could be separated out to the Department of Commerce (DOC) and DEC.

Board member Davies stated it would be justified and be more independent of managing our affairs more than we do now.

Chair VanderWeele are there things we can do?

Board member Davies stated we can start by not giving our assets away or trading them.

Vice Chair Schirack stated the land exchange proposal has to be approved by the board.

Board member Davies stated that is what City of Palmer thinks. He tried to add levity to that statement by stating the ARLF had been around longer than statehood. Deputy Commissioner Fogels didn't say we had to approve the land exchange.

AAG McFarlane stated it is not an asset disposal.

Board member Berberich - Farm Record Keeping:

Board member Berberich stated that some bookkeeping of ARLF applicants that apply do not appear to have a good record system. She has researched a farm record book to give to potential applicants that they can use. She also found an online farm record book and as a tool it could be available to existing borrowers. She will order some samples to present to the board.

The board held a discussion regarding farm record keeping.

Director Havemeister stated that Farmland Trust is hosting a book keeping class.

Board member Berberich replied that it is not book keeping it is ARRC but it will be good information.

Director Havemeister thought that Bill Longbrake has the background and could provide basic business classes for growers.

Board member Davies stated he applied for a loan in 1977 and they made him plan out his whole year and estimate not only the value of land but also the crops and then it was all totally inflated. He hopes we don't have to do anything like that.

Chair VanderWeele stated it would be helpful to assist the applicants on filling out loan applications. A lot of farmers have a hard time filling out a loan application.

Chair VanderWeele stated when he attended the Long Range Plan for Agriculture teleconference there were two people on the teleconference that made the most noise and were saying we aren't making any money. What do you say to these people? This office gets these questions like fertilizer and diesel is too high. In the State of Alaska there is an Alaska Growers School course online from the Cooperative Extension Service.

Director Havemeister stated at the Advisory teleconference some callers stated they need a subsidy from agriculture to be sustainable.

Board member Davies stated sustainability is a political tool of the government. Then you borrow money from ARLF and we'll loan it.

Chair VanderWeele stated it is not this office's responsibility.

H. BOARD MEMBER COMMENTS:

Board member Davies stated he has completed his APOC statement and reminded the board they are due on March 15, 2012. The statements can be done on My Alaska with the same password as you PFD.

Board member Berberich stated we had at least 3 borrowers today that have compromised collateral. We have talked about cows and assets that aren't worth anything. Do we have processes to verify collateral?

Director Havemeister stated that Loan Officer Swanson will verify the collateral.

Director Havemeister discussed loan packet materials that are sent to the board and what the board would like to receive.

The board determined they would like the loan application, financial statements and other pertinent loan documents. However, they do not need tax returns or appraisals, but would like them available at the meeting for review if necessary.

I. SET NEXT MEETING & AGENDA ITEMS

The next regularly scheduled meeting will be held on Wednesday, March 21, 2012 at 1:00 p.m.

J. ADJOURNMENT: The meeting was adjourned at 6:10 p.m.