



MEMORANDUM
Department of Natural Resources

STATE OF ALASKA
Office of the Commissioner

TO: Board of Agriculture & Conservation

DATE: April 28th, 2016

TELEPHONE: 761-3867

FROM: Arthur J. Keyes IV
Director

SUBJECT: MMM&S

**Mt. McKinley Meat & Sausage Slaughter Plant
Public Hearing Decisional Document**

At the Board of Agriculture and Conservation (BAC) meeting held on February 18th, 2016, the Board decided that it would seek public comment regarding the disposal of the Mt. McKinley Meat & Sausage (MMM&S) plant.

The BAC held a public hearing on March 31st, 2016 pursuant to 11 AAC 39.700(b) which requires a public hearing prior to disposal or lease of an Agricultural Revolving Loan Fund (ARLF) asset that could have a significant effect on the agricultural industry. Written comments were also gathered by the Division.

Hearing Results:

Mt. McKinley Meat & Sausage

MOTION: Board member Berberich moved for the loan officer to determine the value of the equipment in the plant and to research obtaining an appraisal for the real estate in order to move the process forward in selling the MMM&S property. The Director will draft a sales document for MMM&S to be approved at the next meeting along with a drafted Request for Proposals.

SECOND: Board member Marcy seconded.

ROLL CALL

VOTE: The motion passed with four yes votes and two no votes. Board member Berberich voted yes, Vice Chair Schirack voted yes, Board member Marcy voted yes (telephone), Board member Smith voted yes (telephone). Board member Shelden voted no (telephone) and Board member Flickinger voted no (telephone).

Public Comment Summary and Board Response:

Approximately 22 individuals and organizations attended the public hearing either in person or telephonically, submitting public testimony and/ or written comments. The following is a brief summary of the comments and concerns received and the Division's responses:

The State should continue to own and operate MMM&S as is:

The Alaska State Legislature has designated funding as a one time increment for fiscal year 2016 and is currently in the budget for fiscal year 2017, and has strongly encouraged the Division of Agriculture to dispose of the ARLF property. The 2013 Legislative Audit also recommended disposal of MMM&S. Therefore, the disposal of the MMM&S property to the private sector will be pursued as it is in the best interests of the State and the agricultural community, and to avoid any interruptions or cessation in the plants operation.

The new owner(s) of the slaughter facility should continue to accept all 4H and FFA animals. The new owner(s) must offer purchase of any and all producers' animals for fair market value of that class. The new owner(s) must develop new markets. The new owner(s) must treat all producers and livestock owners fairly and not operate in one's own interests in order to create a monopoly or make it difficult for other producers to have their livestock processed. The new owner(s) should focus on producing more Alaskan Grown meat:

The Division of Agriculture is in agreement that the above concerns are very important to the development of agriculture in the State and the agricultural community. The new owner(s)/ lessee will be encouraged to operate the new facility accordingly and these concerns will be taken into consideration when the disposal documents are written. However, the Division of Agriculture must be mindful that too many restrictions may discourage offers to purchase or lease the property and/or may inhibit the new owner(s)/ lessee operations and ability to be profitable.

The slaughter facility must continue as a USDA certified processing facility:

The Division of Agriculture understands the importance of having a USDA slaughter facility located in Southcentral Alaska therefore this will be a stipulation of the sale or lease.

If sold, the slaughter facility may be converted to non- agricultural use:

There will be a condition that the property continues to be operated as a USDA approved slaughter facility for a certain number of years.

There should not be any requirements for the new owner(s) to buy diseased or otherwise unmarketable animals:

MMM&S is a USDA approved facility and follows rules set by USDA for purchase. There will not be any requirements for the new owner(s)/ lessee to buy diseased or unmarketable animals.

MMM&S has been an educational resource to the University of Alaska, there is concern that that will no longer continue:

The Division of Agriculture understands the importance of educating the agricultural community and how vital MMM&S has been to the educational programs. The new owner(s)/ lessee will be encouraged to participate in educational programs and to work with the University of Alaska. However, again, the Division of Agriculture will have to take into consideration whether or not to put this as a condition of the sale or lease of the MMM&S plant.

The BAC held a following meeting on April 28th, 2016. After receiving additional public comments the Board made the following motions:

1 Mt. McKinley Meat & Sausage

MOTION: Board member Shelden moved to amend the decisional document for Mt. McKinley Meat & Sausage to include a lease with the option to purchase.

SECOND: Board member Marcy seconded.

ROLL CALL

VOTE: The motion passed with six yes votes. Board member Berberich voted yes, Vice Chair Schirack voted yes, Board member Marcy voted yes (telephone), Board member Smith voted yes (telephone). Board member Shelden voted yes and Board member Flickinger voted yes (telephone).

2 Mt. McKinley Meat & Sausage

MOTION: Board member Shelden moved to issue a Request for Proposal (RFP) for Mt. McKinley Meat & Sausage with the lease with option to purchase.

SECOND: Board member Marcy seconded.

ROLL CALL

VOTE: The motion passed with six yes votes. Board member Berberich voted yes, Vice Chair Schirack voted yes, Board member Marcy voted yes (telephone), Board member Smith voted yes (telephone). Board member Shelden voted yes and Board member Flickinger voted yes (telephone).

Recommendation:

The Division of Agriculture understands that the closing of MMM&S will effect the MMM&S employees, the corrections inmate training program, livestock and dairy industries, 4-H programs and the agricultural community at large. However, the MMM&S FY2015 year end summary indicated a loss of \$155,015, which is close to the average loss per year of the meat plant with the exception of FY2014. Disposal of the property to private ownership, which will be required to operate the plant as a USDA approved slaughter facility for a specified minimum number of years, will enable the new owners/ lessee to invest in the property in order to make improvements and replace old equipment so the plant can operate more efficiently and enable them to market more effectively so that the plant becomes profitable.

Decision:

1. The Division of Agriculture has decided to pursue the disposal of the MMM&S property.
2. The Division of Agriculture will submit a Request for Proposals for Lease with Option to Purchase.
3. The Option to Purchase can be exercised at any time during the lease.
4. The Purchase Price will be based off Fair Market Value at the time the Option to Purchase is exercised.