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MT. MCKINLEY MEAT AND SAUSAGE White Paper

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Purpose

The Division of Agriculture (Division) prepared this paper on the history and possible future of Mt. McKinley Meat & Sausage (MMM&S). This paper is a brief summary with detailed information available on the Division's website at www.dnr.state.ak.us/ag/ag_mmms.htm.

History

The Alaska Agricultural Action Council, through an appropriation from the Alaska Legislature, financed the construction of MMM&S in the early 1980s. MMM&S was privately operated from 1983 until 1985. The ARLF obtained possession of the facility through a cooperative settlement resulting from a loan default.

Under a memorandum of agreement between the Alaska Department of Natural Resources (DNR) and the Alaska Department of Corrections (DOC), MMM&S was reopened in December 1986. DOC operated the plant for the Division of Agriculture, using it as a training opportunity for inmates while continuing to provide a slaughter facility for Alaskan farmers. DOC funded the MMM&S facility operations until 2001 when budget shortfalls occurred. In 2001, the ARLF took over some of the financial obligations of operating the plant.

In 2003, the Division of Agriculture completed a detailed review of the operation of MMM&S. This report made recommendations that would increase the efficiency of the plant while in State ownership and further recommended that the State eventually transfer the facility to the private sector. The December 1, 2003 MMM&S report with Review & Recommendations is available on the Division's website.

On December 1, 2003, operation of the plant was taken over completely by the Division of Agriculture as DOC discontinued its financial and management support. The operational efficiency of the plant has been substantially improved since the report was issued, but as expected, the plant continues to operate at a deficit as indicated in the chart below. Changes in operations implemented in FY07 and FY08 continue to help reduce operational losses.

	Total FY05	Total FY06	Total FY07	Total FY08
Revenues	1,356,349.21	1,393,119.80	1,214,706.27	1,086,631.59
Expenses	1,498,448.20	1,588,831.75	1,318,343.33	1,188,734.18
Income (Loss)	(142,098.99)	(195,711.95)	(103,637.06)	(102,102.59)

Current Staffing Level

The facility is currently staffed with 3 Division of Agriculture Production Managers, 10-14 inmates provided by DOC and utilizes Division of Agriculture and Financial Services support staff.

Disposal Attempts

The Board of Agriculture (BAC), the Division of Agriculture (Division), the Department of Natural Resources (DNR) and members of the agricultural industry have discussed the future of Mt. McKinley Meat & Sausage (MMM&S) at length on many occasions. The Division has initiated 3 Requests for Proposals (RFPs) in 2000, 2002 and 2006 to facilitate transferring the facility from State ownership to private or Cooperative ownership. Each of these disposal attempts required the new owner(s) to keep the kill floor open and accept all healthy Alaskan livestock for slaughter regardless of quality. Past disposal offerings have included purchase, lease or lease with purchase options. No acceptable offers have been tendered to the BAC with such use conditions. Subsequent to the 2006 RFP offering, the BAC reiterated its open door policy to evaluate written proposals offered for management and/or purchase of MMM&S.

The MMM&S facility provides more than just an outlet for the slaughter, purchase and processing of livestock. The facility also provides valuable training opportunities in several vocations and provides actual work experience for inmates working at the facility, which helps to reduce recidivism. The Division is committed to addressing the industry need for a USDA kill floor in Southcentral Alaska. In an ongoing effort to keep the facility open and minimize the use of the ARLF funds, the Division has periodically implemented many operational changes to address efficiencies, reduce expenditures and increase revenues. The Division plans to continue reviewing operations at MMM&S to increase efficiencies and minimize shortfalls wherever possible.

There has been much discussion regarding alternatives to the current operation of MMM&S. Purchase options by individuals and/or Cooperatives, construction of new facilities, mobile slaughter facilities and transition of the MMM&S operations back to Correction Industries within DOC have been discussed. A transition of MMM&S operations to DOC would require State funds to construct a facility. The Division plans to continue to explore the transition alternative with DOC in an effort to arrive at a solution to the future operations of MMM&S in a right-sized facility. The BAC/ADOA will work with industry to stabilize MMM&S until such time as the private sector is able to assume responsibility.