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# Resource Review

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## Poll shows wide support for OCS development

Three out of four Alaskans favor offshore oil and gas development in Alaska, according to a recent public opinion survey for the Alaska Oil and Gas Association.

"The survey clearly shows that most Alaskans want the state and federal governments to move ahead on allowing the oil industry to explore for oil and gas in Alaska's offshore areas", William W. Hopkins, Executive Director of the Alaska Oil and Gas Association, said. "We believe Alaskans realize the benefits the activity will provide to both Alaska and the nation."

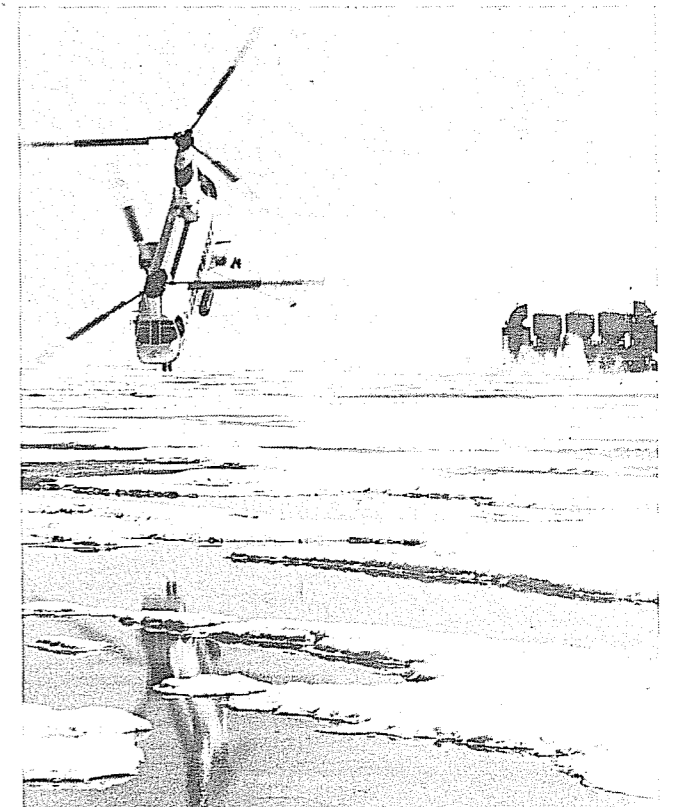
Since 1979, when the question was first asked in AOGA's annual survey, results have shown that a majority of Alaskans favor offshore oil and gas development.

"The results show that most Alaskans recognize that the petroleum industry can operate in Alaska waters in an environmentally sound manner without detriment to other resource values such as fishing", said Harold C. Heinze, AOGA president. "The fact that industry can and does operate safely in offshore areas has been proven."

The survey found that 75 percent of the respondents feel that offshore oil and gas development should be allowed while 17 percent responded that it should not. Eight percent of the respondents were neutral on the issue.

The greatest support came from Southcentral Alaska (exclusive of Anchorage) where 87 percent favored petroleum development in waters off Alaska. In rural areas, which registered the least support, 56 percent favored offshore development. In Anchorage 80 percent were supportive while 68 percent in Central Alaska and 65 percent in Southeast Alaska were supportive.

The reasons cited most frequently by those who indicated support were the need for petroleum resources and revenues. Within the 17 percent who did not favor offshore development,



*In a test to prove that North Slope oil fields could be supplied throughout the year by sea, an Alaska Helicopters, Inc., Boeing Vertol 107 pulls a hover barge filled with oil field equipment across the icy Beaufort Sea in the spring of 1983.*

most cited environmental concerns as the main reason for their position.

The survey indicated Alaskans continue to hold strongly positive views about the industry's effects on the state. Statewide, 85 percent felt that on an overall basis the oil and gas industry has been good for Alaska. Over half of those respondents felt very strongly about their positive positions.

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**Alaskans...Working with Alaskans** to improve the quality of life through sound resource development.



## Message From The Executive Director

By Paula P. Easley

### Radical changes needed to offset revenue fall

Little did we know when we launched Project 1995, an Alaska Development Strategy — a response to declining petroleum revenues — that "1995" would occur sooner than we thought.

We said that in 1995 petroleum revenues would be half their 1982 level and that we ought to be taking some actions now to offset the impacts of those losses to the economy. We were particularly concerned about the potentially disastrous effects on local communities as state pass-through funds began sharp declines.

The Department of Revenue's latest projections (March 1985) for the next five years are yet lower than its December 1984 forecast.

	December 1984 Forecast (expected petroleum values in millions of current dollars)	March 1985 Forecast
FY 1985	2.76	2.74
FY 1986	2.71	2.39
FY 1987	2.62	2.18
FY 1988	2.38	1.90
FY 1989	2.27	1.76
FY 1990	2.13	1.65

So Project 1995 has been renamed Project 1990. If it were to be renamed at all, how nice if it could have been changed to Project 2000! But with reduced demand, production and prices that probably won't start climbing upward until the mid-1990s, we have no alternative but to make some radical changes in the way we do things here in Alaska. (Dept. of Revenue says "On

average we expect world oil prices will fall until FY 1987 before rising again modestly with real or inflation adjusted price growth occurring in the 1990s.")

Although we were criticized in some quarters for carrying the message of the doomsayers, our thinking was that even if petroleum revenues declined less than expected, lots more oil were discovered and the gas line built, we would still be ahead of the game if efforts to diversify Alaska's economy were aggressively pursued.

Our message was this: We need to spend less and spend more wisely, we need to generate new income and we need to encourage expanded oil production.

And we embarked upon an ambitious project to get all of Alaska's communities involved in becoming less state-revenue dependent, to begin developing strategies to become more self-sufficient.

Many of Alaska's communities say they aren't necessarily interested in **expanding** their economies, but they are concerned with **maintaining** their present levels of population and income. Just how they are going to do that remains to be seen, because when the dollars stop flowing, the people start leaving. When ten or fifteen people leave a small community, their departure reverberates throughout the entire local economy.

We don't want to see that happen. So we and the communities are addressing the problem. Between now and next February you will see action at the local level that you've never seen before. You'll see a changed attitude in community leaders toward new business and toward regional development opportunities. You'll see not just talk, but positive action, such as that taken by the City of Wasilla in donating land for construction of a private hospital. You'll see the creation of local task forces on economic development with specific charges and timeframes.

But most of all, there will be — in fact we're already seeing it — a steady decline in provincialism, the attitude that "we're going to get what we need for our community — to heck with yours." Healthy competition, yes; provincialism we don't need.

I could write a book on what we need at the state level but who would read it. For starters let's suggest that our administration not simply look to old lawsuits being settled to bring in revenues but seek expansion of an industry with a proven track record. Let's beef up the economic development functions in state government and make sure that the goals of other departments support those functions. Let's get the "powers that be" to agree on the constraints we have on development and do something about them.

(Continued on Page 3)

## A Commentary

# Coastal Zone Management: Weighing all the concerns

By Judy Elisen

A major trend is emerging in the development of coastal zone management plans which should be of considerable concern to Alaska's public policy makers. This emerging trend is for local coastal zone management plans to ignore or minimize state and federal policies which are not consistent with the direction the planners wish to take. This lack of balance in accommodating state and national concerns will result in future problems when these land plans are implemented.

Under the terms of the Federal Coastal Management Act of 1972, the State of Alaska in 1977 instituted the Alaska Coastal Management Act which provided for local implementation of the state management plan. Under this statute, an entity called the Alaska Coastal Policy Council was developed. The council was charged with developing guidelines under which the coastal resource districts would establish their own district regulations — which take the form of district coastal management programs. These programs are adopted by the district and are subject to approval by the Alaska Coastal Policy Council.

The intent of the enabling legislation was clear. The local coastal management program was not intended to overrule or become a substitute for state and federal policies. This is why the legislature mandated that uses of state and national concern must be an integral part of any coastal management program approved by Alaska's Coastal Policy Council.

The uses of state concern include land and water uses which significantly affect the long-term public interest. This definition in-

cludes uses such as the siting of ports and transportation facilities that will help to alleviate our state's transportation problems. Uses also include the siting of major energy facilities — which because of their economic impact upon the entire state — raise issues greater than just those of local importance because their size of impact would benefit or harm areas beyond the boundaries of a single coastal zone management district. Subsistence is also a major state concern, and as such should be balanced with other state uses.

The principal management tools of the coastal management plans are policies which define standards of environmental protection with respect to resource development activities. Development projects must conform to these standards in order to be "consistent" with the program. Inherent in this process, however, is the assumption that the local plans themselves are consistent with the enabling legislation and with overriding state and federal policies governing the development of our natural resources. This fact is being forgotten by some who have formulated recent coastal management plans.

With the rapid growth of coastal management programs (which are becoming overwhelming to both the regulators and resource developers), I believe that it is time for the regulators to make a careful evaluation of the entire planning process before embarking on future ones. At a time when state revenues are a daily topic of concern and discussion, the state must conduct a serious review of these and other restrictions on future resource development.

Judy Elisen is a member of Sohio Alaska Petroleum Company's Government Affairs staff.

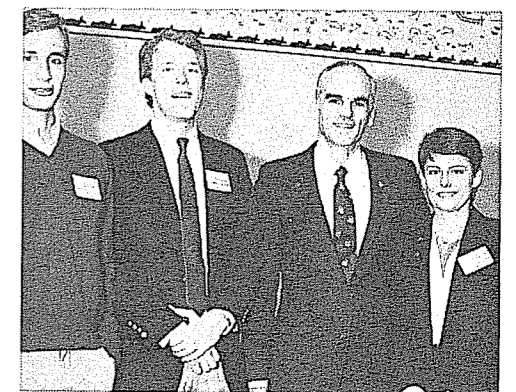
## Hodel calls for consensus on policy goals

(Continued from Page 5)

Communication and concession were said to be key elements for reaching consensus. Believing his department has conceded generously in the past, Hodel said that his ability to accommodate any more pleas for delay of the lease sale would be severely limited. For that reason Hodel indicated that the scheduled December sale would proceed.

The Interior Secretary also believes Congress must see consensus from the state regarding potential sale of native corporation stock in 1991 resulting from the 1971 Alaska Native Claims Settlement Act. He stated that it is important for the federal government to work with state and local groups to resolve potential problems. The federal government, Hodel said, would like to work as a partner with Alaska in the policy making process.

Hodel said that he has no illusion that agreement can be reached on every issue, every parcel of land, or every aspect of every program. However, he does believe "that if we can agree on the broad goals and principles, we will have the best framework within which to resolve conflicts." Hodel said that some Alaskans might fear added bureaucracy if decisions are made through a state-federal partnership seeking consensus. But bureaucracy, he concluded, is the "epoxy that greases the wheels of government."



RDC interns David Marcotte and David Parish met with Secretary Donald Hodel in Anchorage last month as did RDC Deputy Director Becky Gay.

## Poll shows support for OCS development

(Continued from Page 1)

"The support for oil and gas development is extremely high," said David Dittman, president of Dittman Research Corporation. "The two main reasons for this strong support are the revenues and jobs which are generated by industry activities in Alaska," Dittman said.

The State of Alaska's income from petroleum royalties and taxes this year is expected to be over \$3 billion, Heinze noted. An Aoga survey conducted last fall revealed that one in four Alaska households have at least one member employed either directly or indirectly by the petroleum industry.

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### Resource Development Council, Inc.

The Resource Development Council (RDC) is Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

RDC invites members and the general public to its weekly breakfast meeting featuring local and nationally-known speakers on economic and resource development issues. The meetings are held on Thursday at 7:30 a.m. in the Northern Lights Inn. Reservations are requested by calling 276-0700.

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Resource Review encourages its readers to submit articles, announcements and letters to the editor for publication. Send all correspondence to Resource Development Council, Resource Review, Box 100516, Anchorage, Alaska 99510.



## Miners file suit over water rules

The Miners Advocacy Council (MAC) has filed a lawsuit in Superior Court challenging the new state water quality regulations.

The suit charges that the state did not hold the required public hearings when adopting the standards and that the new regulations amount to condemnation of property rights. The miners also charge that certification of the standards by the state was so late that enforcement during the mining season would be unreasonable.

According to Bob Aumiller, President of MAC, the recent changes in water quality standards would have a terminal effect on the placer mining industry if they aren't revised. He said the standards, both for turbidity and solids, are so strict that if enforced, they would shut down almost every placer mining operation in Alaska. If that occurred, people would be deprived of the "use, benefit or enjoyment of property rights," Aumiller said.

In late April, the state certified a regulation which reduced the amount of solids that could legally be carried into a stream from a placer mine or other man-made sources. The new standard was in addition to an existing state standard that regulated turbidity. The change was announced by Department of Environmental Conservation Commissioner Bill Ross at a placer mining conference in Fairbanks March 30.

Since no public hearings were conducted in respect to the proposed water quality standards pertaining to settleable solids, "the remedy is for the state certification to be invalidated, whereupon the federal water quality standard...would apply," the suit states.

The suit also charges that DEC manipulated placer mining data to make its new solids standard appear reasonable.

The state's Shannon and Wilson study of placer mining found that of samples taken from placer mines during the summer of 1984, 91.2 percent were below the recently imposed solids standards.

However, the suit claims the samples were deceiving and not representative of the industry as a whole. It said far more samples were taken from mines that were meeting the standard than those that were not.

"The DEC has either negligently or intentionally failed to point out in public announcements that the samples were taken from limited specific mining sites and that not necessarily 90 percent of all mines...can meet or exceed the .2 milliliter per liter standard," the suit said.

## State to reconsider prospecting permit

Alaska Department of Natural Resources Commissioner Esther Wunnicke has rescinded her decision not to issue permits to Aspen Exploration of Colorado for offshore prospecting in Cook Inlet.

Aspen and other companies sought state approval to mine for gold and other minerals off Cook Inlet between the Anchor and Ninilchik rivers, but the requests were denied because the state contended that too little information exists as to the impact of mining on the fishery resources.

However, Wunnicke has now found "significant conflicts between mining and other resources uses can be avoided by using a proper combination of tract deletions and stipulations."

Pedro Denton, the director of DNR's division of mining, has been instructed by Wunnicke to make recommendations on conditions under which offshore prospecting permits could be issued. Special scrutiny would be given those areas "where major resource conflicts have been identified through the public review process," Wunnicke said.

Meanwhile, R.V. Bailey, president of Aspen Exploration, said the state has asked the Superior Court to dismiss his firm's appeal of the permit denial now that DNR has revoked the original decision. Bailey filed action in late May to keep the appeal in Superior Court where "we at least have a chance of a fair hearing."

Bailey believes DNR's latest action of reconsidering the undersea prospecting permits means that the agency "in effect wants to maintain control of the matter and to keep Aspen's attempts to get permits under its control."

Bailey was in Anchorage last month to present a paper on obstacles to mining permits in Alaska before a meeting of the Pacific Section of the American Association of Petroleum Geologists.

He indicated that his company has been trying to obtain public documents on the permit issue, and charged that key documents are being concealed. In March, Bailey said his attorney had been denied access to several memos when state officials cited "executive privilege."

Earlier this spring, Aspen charged that the Alaska Department of Fish and Game was primarily responsible for DNR's origi-



*Oil and gas development and recreation have coexisted with fishery resources of Cook Inlet for many years. Aspen Exploration Company contends that offshore prospecting would also be compatible with fisheries.*

nal permit denial because of protests from the Habitat Protection Division.

ADF&G cited insufficient biological and geological information for lands south of the Forelands to justify issuance of the permits.

However, Bailey believes sufficient biological, geological and oceanographic data exists so reasonable projections can be made that Aspen's proposed activities would have no significant impact on the marine life or the fisheries of Cook Inlet. He pointed out that with adequate stipulations, most fishermen do not oppose issuance of the permits. He also emphasized that no set net sites are in the primary area of interest.

Aspen believes existing permit requirements and other legally binding restrictions would ensure that no operator would be allowed to disrupt the continued development of the other resources in Cook Inlet.

A vast majority of letters received by Governor Bill Sheffield on the issue supported Aspen's prospecting plans.

RDC has urged the state to issue the permits, pointing out that Aspen's program is environmentally sound and of significant benefit to the state's ailing economy.

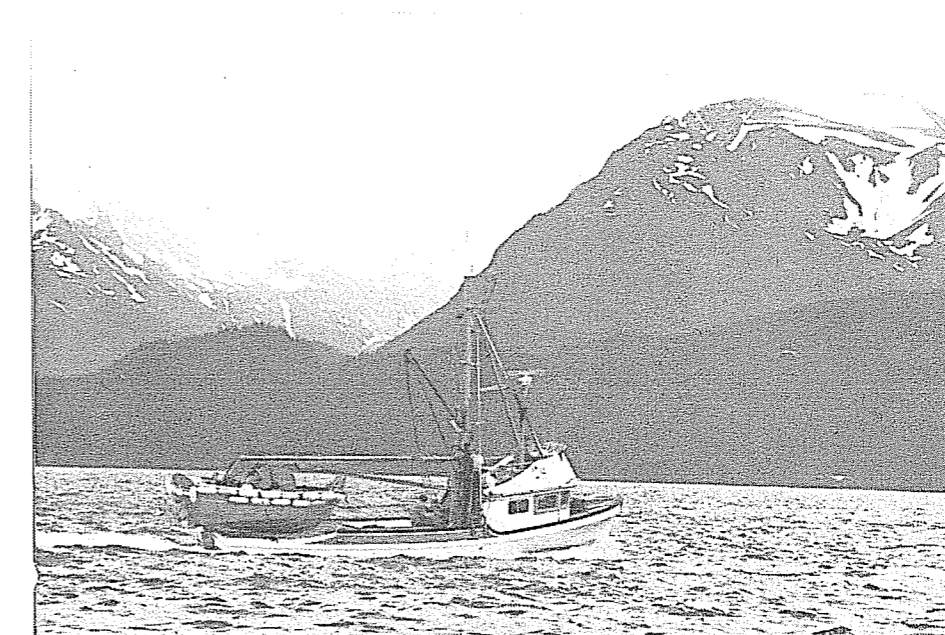
## Coalition seeks end to foreign fishing

If the USA Coalition meets its goal, foreign fishing in U.S. waters will end within five years.

Citing the value of the fishery resources off Alaska's coast, and the original intent of the federal Magnuson Fishery Conservation and Management Act (MFCMA), the USA Coalition is calling for Americanization of the U.S. fishery, and is seeking amendments to the MFCMA providing for a complete phase-out of foreign fishing by 1988 and on foreign processing by 1990.

"Foreign fishing interests are taking more than four billion pounds of fish each year from U.S. waters off Alaska's coast," said Larry Cotter, USA Coalition Committee member and President of the International Longshoremen and Warehousemen Union, Local 200. Cotter said it's time Alaska started seeing more economic benefit from the fishery.

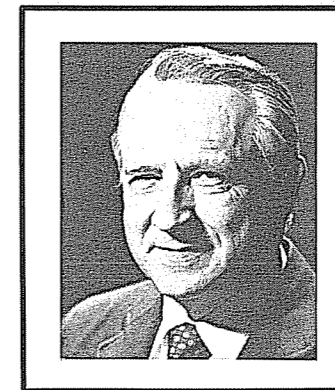
At a recent press conference, the USA Coalition presented its views on the ways in which a transfer of control of the fishery from foreign to domestic hands would benefit Alaska, including creation of jobs, the promotion of economic stability in Alaska's coastal communities and the reduction in "incidental catches" of halibut, salmon and herring by foreign high-seas fishing vessels.



*Alaska fishermen processed less than 20 percent of the seafood harvest off Alaska's coast last year.*

## Thoughts from the President

By Charles R. Webber



The Resource Development Council is fortunate to have been able to Development Policy accepted by the Legislature this year. The action t lators to assure its passage is significant, enunciating in good policy eff take to secure opportunities for the development of Alaska's resour

Alaska needs to proceed with resource development not only t opportunities for business organizations, but also to provide emp'

Several Northwest states which declined to support developme.. reversed their positions and are calling for assistance in employing their c.. we in Alaska will not have to learn the lesson the hard way!

*What we do has to be related...*

Foreigners last year processed 80 percent of the total seafood harvest within 200 miles of Alaska.

"It's an amazing resource out there, and we're getting little or no benefit from it," Cotter said.

Rick Lauber, Alaska Manager and Vice President of the Pacific Seafood Processors Association, noted that resolutions supporting Americanization of the fishery have been introduced in both houses of the Alaska State

Legislature, and that action is taking place on the municipal level.

The USA Coalition is comprised of commercial fishermen, labor organizations, seafood processors, sportfishermen, transport companies and others.

To learn more about the coalition's position and other viewpoints, RDS has arranged for the coalition to address an upcoming break-fast meeting.

## Radical changes needed...

(Continued from Page 2)

As legislators have less to spend, Alaska will be joining the intense efforts of other states to improve their economies. Just in this decade we are seeing a shifting emphasis toward encouraging the retention, creation and expansion of businesses rather than recruiting new business from one state to another. Once the economic climate in Alaska succeeds in nurturing the businesses now contributing to our economy, we will see new firms anxious to discover and develop our state's vast resource potential.

Life in the development lane is never dull!

## Council focuses on seven points regarding park management plans

The Resource Development Council will focus on seven main points when commenting on the formation of nine park management plans by the National Park Service (NPS) this summer.

The RDC Lands Task Force has agreed on the wide-ranging points as a means of discussing the large policy questions surrounding the management of Alaska's parks. The deadlines for comments on the nine plans all expire before July 15.

1. RDC urges the NPS not to place such a high priority on the acquisition of non-federal lands within park boundaries. Section 103 (c) of ANILCA states "only those lands within the boundaries of any conservation system unit which are public lands shall be deemed to be included as a portion of such unit." In 1980 Congress found that these nine parks could function quite well without ownership of the non-park lands within the boundaries. The scope and location of most inholdings were in the public record before the passage of the Act. As a result, RDC believes the NPS should not acquire lands unless there is a direct threat to the public use of the area.

2. The Resource Development Council has found that public use of these areas is being limited through the implementation of man-



Abandoned structures at the Dunkle Coal Mine in Denali National Park, 1981.

agement plans which do little to improve the recreational opportunities of the park areas. Since parks are designed for public use, the Council believes that facilities and management schemes allowing for greater public use and enjoyment should be devised. Access to and from the parks and facilities for recreational activity are needed if these parks are

to be visited and enjoyed by the majority of potential park users.

3. Regional transportation planning is of crucial importance to the development of Alaska, and RDC believes that it would be inappropriate to include those areas with proposed transportation corridors in wilderness classifications. Such classifications would effectively prevent the development of these corridors no matter how significant the benefits to local residents and other users.

4. RDC is concerned that the NPS is not making a greater effort to identify all resources within the national parks. Comprehensive inventories are essential to good resource management, no matter what management system is implemented. Lack of sufficient inventories results in inefficiency and possible damage to the area affected. Planning for the enhancement of recreation and conservation values is most effective when all resources are properly identified and evaluated.

5. The Council believes the management plans have failed to discuss the employment opportunities available to residents of the various park areas as prescribed in ANILCA.

6. The Council proposes boundary adjustments to eliminate many of the fringe inholdings. The Council maintains that since these lands are privately owned, they cannot be managed by the NPS. Boundary adjustments would enable the NPS to consolidate its management on federal lands.

7. RS 2477 rights-of-way are state interests and should be guarded from NPS attempts to control activity within them.

### New minerals kit to educate young students

Alaska's elementary school students will soon become more knowledgeable about the state's mineral and energy resources through a joint venture between the Department of Education, classroom teachers, representatives of business and industry, the Alaska Legislature, the Office of Minerals Development and the Alaska Miners Association.

The Alaska Resources Kit: Minerals is designed to be used in conjunction with existing curriculum programs. It will provide teachers with quality, Alaska-specific materials to help young people learn about minerals and energy and the role of these resources in their everyday lives. The kit will expose the students to the issues and decisions which must be made with regard to resource development in Alaska.

The objectives of the kit are to provide a balanced educational package focusing on the mineral industry and give Alaska-specific mineral information and maps to the students. In addition, the kit is to provide teaching ideas and information in an interesting and readily adaptable format.

A special tax-exempt organization has been created to raise the funds for production of the minerals kit. This Alaska-managed effort operates as the Alaska Mineral and Energy Resource Education Fund, a special committee of the Mineral Information Institute.

The first year goal of AMEREF is to raise \$172,000 for production of 200 kits. Contributions may be sent to Alaska Mineral and Energy Resource Education Fund, 2550 Denali, Suite 1000, Anchorage, Alaska 99503. Additional information is available through John Blackwell at 563-3123.

## Alaska agriculture shows "... positive potential"

Despite a number of setbacks and failures, the agriculture industry in Alaska still shows "significant positive potential," according to James K. Barnett, Deputy Commissioner of the Alaska Department of Natural Resources.

Barnett told the Resource Development Council last month that "careful oversight and leadership in the implementation of these projects can sustain an agriculture-based natural resource economy from these lands." He was referring to the two major agricultural projects in Alaska, the Delta Barley Project south of Fairbanks and the Point MacKenzie Dairy Project in the Matanuska-Susitna Borough.

Barnett said his department has "a responsibility to ensure that these projects are nurtured in the wisest and most cost efficient way." As a result, Barnett is encouraging the use of in-state agricultural products since efforts to create an Outside market haven't been as successful as the state had hoped.

As an example of state miscalculations, Barnett noted Alaska spent \$1 million to purchase 20 railroad cars to deliver barley to "what was to have been a \$6 million grain terminal in Seward. But by the time production began in Delta, prices for barley on the world market were too low for farmers to compete. As a result, the railroad cars have since been placed on a siding and the grain terminal put in storage."

### Hodel calls for Consensus on broad policy goals

By David Marcotte & David Parish

Agreement among various levels of government and private interest groups on broad policy goals needs to be found in order to facilitate a good framework for making intermediate policy decisions, according to Interior Secretary Donald Hodel. Hodel spoke at a June 12 luncheon hosted by the Resource Development Council, the Anchorage Chamber of Commerce, the Alliance, and Cook Inlet Region, Inc.

The Interior Secretary's guiding principles behind policy decisions are:

1. Seeking to support and promote conservation. Hodel defined conservation as wide use — ranging from complete protection to multiple use.
2. Seeking to minimize federal intervention and control of the market place.
3. Commitment to uphold the laws and statutory mandates.

Hodel is looking for a consensus on the issue of the oil lease sale in Bristol Bay. He stated that the Bristol Bay lease sale area is now more important than ever as a prospective oil and gas province due to unproductive exploration results elsewhere off of the Alaska coast and the southern 48. The nation as a whole would benefit from the increased domestic oil production that Lease Sale 92 could bring about. Such production would favorably affect the nation's national security, balance of trade, raise government revenue, create jobs, and strengthen gross national product.

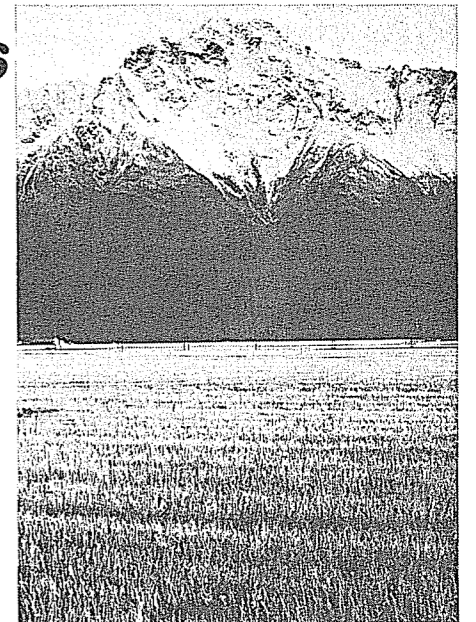
In addition to investing in railroad cars and a grain terminal, the state has also allocated funds to the Alaska Revolving Loan Fund (ARLF) and the related Alaska Agricultural Action Council which established various farm projects throughout the state. In addition, farmers have invested heavily in the farm projects.

"As the infrastructure is established and Alaskans become more accustomed to buying instate products, we believe the industry will begin to flourish," Barnett said. "Our investments will begin to recoup benefits and most loans will be repaid."

Barnett pointed out that delinquency rates on ARLF loans is, in proportion, much less than other state loan programs.

The concept of production credits is being developed as another method of supporting the farming community. Barnett said this approach would offer "existing borrowers the opportunity to receive a credit for interest payments owed to the state in exchange for maximizing production from existing farms."

Such action would allow the farmer to concentrate more on production in the short run than on interest payments, thereby generating more production from his tract. This would allow the "overall industry and particularly key infrastructure to build over time through economic efficiencies and ultimately to achieve long-term success," Barnett said.



Alaska agriculture production continued to climb last year, and state officials believe production may increase by 60 percent within the next year.

Barnett revealed that other land tenure concepts are being devised to keep capable farmers on the land. He admitted some farmers will fail, but also pointed out that other farmers have mastered Alaska farming techniques that are just being understood.

He also said the state hopes to offer farmers a chance to enlarge or reduce their parcel sizes.

Barnett pointed out that agricultural industry receipts more than doubled in the past four years, from \$13 million in 1980 to \$26 million in 1984. By 1990, overall receipts may reach \$60 million with 2,000 additional jobs.

The Deputy Commissioner indicated that milk production over the first quarter of 1985 was up 41 percent over the previous year and that Alaska potatoes have found a new Outside market as Safeway will begin selling about \$18,000 worth of local potatoes in 127 stores in the Seattle area.

Livestock production has also seen new success with the establishment of the state's first quality slaughterhouse, Barnett said. Made possible through a partnership in state and private financing, the Mt. McKinley Meat Company in Palmer not only is giving a boost to local livestock producers, it is also benefiting farmers in Delta.

Barnett stressed that a viable agriculture industry in Alaska is heavily dependent on consumer acceptance of local products.

"The purchase of locally-grown products is one important way for Alaskans to realize the economic potential of our state lands," Barnett said.

(Continued on Page 7)