

Transition of the Meat Plant to Private Sector Operator

The high-quality meat plant is a valuable asset to all Alaskans. Currently, livestock and grain producers of all sizes, local meat retailers, and 4-H animal exhibitors statewide depend on the meat plant for reliable, USDA-approved slaughter and processing. What Alaska needs is a stable, reliable USDA slaughter and processing facility that serves all Alaskans,...whether producer, retailer, or 4-H exhibitor.

A stable, reliable meat plant is essential to restoring confidence in Alaskan producers, retailers, and future markets for fresh, local, Alaska Grown meat. We believe the way to save the plant and grow the market for Alaska Grown meat is for DNR to issue an RFP (Request for Proposals) that would let private sector companies compete for a lease to operate the plant.

For years, the State of Alaska has subsidized the meat plant and allowed it to run inefficiently. The State's indecision about the plant's direction has resulted in a stunted Alaska meat industry. Additionally, the marketing restrictions and unreliable and costly inmate labor currently limit marketing, profitability, and production at the meat plant.

We think Alaska ought to be focused on generating more Alaska Grown meat and improved food security. The meat plant can play a key role in that mission if allowed to operate more efficiently with a private sector operator. More efficient operations would result in expanding production at the plant and the corresponding growth of our livestock and processing industries would benefit all Alaskans. In short, a sustainable slaughter and processing plant run by a private sector company would better grow the state's economy, improve the health of its citizens, and increase Alaska's food security efforts.

In 2015, an independent expert who reviewed the meat plant's operations summed it up this way in his written analysis, (quote) "The state should maintain ownership of the plant and offer it for lease to a private operator." (M. Callicrate, Ranch Foods Direct, Co.)

We, the owners of Denali Meat Company, an Alaska company with Alaskan owners, want the chance to compete to operate the meat plant under a lease from the state.

Summary of what we desire from the State of Alaska:

- We respectfully request that the Division of Agriculture/DNR immediately begin preparing a Request for Proposal to lease the meat plant to the private sector. The RFP should be "on the street" before the end of the legislative session so everyone will know the direction of the plant before the State's new fiscal year begins.
- We request that DNR work with legislators to establish a one-year or shorter transition period to the private sector entity with sufficient state funding to do so during FY17.
- We request DNR support statutory changes, if any become necessary, to gain legislative support for the proposal.

Key elements of the DNR plan forward should include:

- House and Senate action in FY 17 budget to implement a one-year (or shorter) transition period to private sector operations.
- RFP guidelines should:
 - Contain clear standards for the subsequent contract to ensure that a private sector operator treats similarly situated producers and livestock owners in a fair and even-handed way regarding scheduling and pricing at the slaughterhouse.
 - Clearly state that the private operator will not be required to buy diseased or otherwise unmarketable animals.
 - NOT require inmate labor as part of the subsequent contract.

Benefits of DNR plan to transition meat plant to private sector operator include:

- Protection of a valuable asset to the State of Alaska.
- More Alaska Grown meat to benefit all Alaskans.
- Future growth of Alaskan livestock businesses, grain growers, and family farms.
- Reduction or elimination of State subsidies.
- Reduces need for government oversight, management, and economic support in an already over-burdened state economy.

As I stated earlier, Denali Meat Company wants the chance to compete to be a part of saving the meat plant as a valuable Alaskan asset. If we are able to make a proposal under the State's RFP and if Denali Meat Company is awarded a contract, we believe we can work with the State to ensure a smooth transition.

We desire to maintain (and build) the current customer base while assuring minimal impacts during transition. We aim to assure lasting stability for producers statewide and believe we can greatly expand operations to meet both producers' and consumers' demands as we aggressively market Alaska Grown meat products.

As farmers, ranchers, and livestock producers and processors ourselves, we are willing to contract for and guarantee ethical operations and fair treatment of all customers and clients. We certainly will not allow or expect preferential treatment for our individual businesses.

If awarded a contract by DNR, we will guarantee customer satisfaction, increased production, and provide consistent, quality products through Denali Meat Company. We (the owners) plan to hire a competent, experienced manager to assume plant operations and responsibilities. We would be willing to meet regularly with DNR to monitor progress, productivity, and quality.

Denali Meat Company is committed to modernizing and streamlining operations to create a meat processing facility that will serve the needs of all residents while removing the burden from State operations. Alaska's future depends on food quality and food security, and Denali

Meat Company is poised to do its part to create a sustainable future for all Alaskans.
Thank you for the opportunity to submit this proposal.

Sincerely,

Denali Meat Company

Nate Burris,
President

Todd Pettit,
Vice-President

Ernie Diamond,
Secretary

Terry Van Wyhe,
Treasurer