

ORAL HISTORY 87-108-10

Wayne Thomas

Steve Lay, interviewer.

Series: University Focus series

Wayne Thomas talked about the dairy processing plant in Anchorage which is owned by the farmers's cooperative Matanuska Maid. It is the only milk processing plant in Alaska. It serves the Matanuska farmers and the new dairy farmers in the Pt. MacKenzie agricultural project. Matanuska Maid has run into bankruptcy problems. Milk production in the valley has been declining. The Pt. MacKenzie dairy farm project is running behind schedule. The University Experimental Station was asked by the Alaska Rural Development Council to look at the possibility of retaining the Matanuska Maid plant or building a new plant someplace else. Not having a plant would be detrimental on the new operations at Pt. MacKenzie. They were asked to look at options.

He asked an economist with the US Department of Agriculture in Anchorage to work on the project as well as a dairy economist working at the University of Minnesota, Boyd Buxton and Ozzie Shock who is a retired dairy processing manufacturer and consultant from South Dakota. They came in several weeks ago. They spent a week looking at the Mat-Maid plant and a week looking at other possible locations. They talked with the dairy farmers in Matanuska Valley and Pt. MacKenzie, the board of directors of Mat-Maid, and state agency people. They are now preparing an analysis of what they have observed. The cooperative needs a certain amount of money to get out of bankruptcy. They went to a banking organization for a loan. The organization requested an analysis of the feasibility of Matanuska Maid which was done by a group from Washington State University. They looked at the existing plant to see if it was feasible. They concluded it was feasible. They had this information as a base. Their own preliminary findings are in line with the other groups. It appears to be feasible in Alaska. It can be competitive in Alaska. The alternative processing plant and it would be better to keep the existing plant because of the expense. The speculation that there might be advantages to be going to another site, but the numbers do not suggest that. Their current plant is in a high rent district in Anchorage. As the area grows in value they may have to sell the plant and move in the future.

The key issue in the processing problems relates to bankruptcy and management of the plant. Their dairy processing specialist made a series of recommendations on improving the management of the plant. The report goes to the board of directors of the Alaska Rural Development Council and to the state government. Stephen Lay commented on the impact on the total agricultural area. Thomas said yes it is because it affects not only existing dairies but also the new dairies coming on line. They use feed to feed their dairy livestock. The feed is made up of grain from the Delta Junction area and forage from producers in the Matanuska Valley. If the dairy industry wasn't here it would be a major blow to the other component of agriculture – the grain industry. Agriculture is tied together here as in other areas. The grain production in Delta Junctions needs a local market. The Alaska Cooperative Grain Elevator in Delta Junction ships to the Matanuska farmers.

There are nine dairy farmers producing in the Matanuska Valley including the university farm. At Pt. MacKenzie there are about fifteen dairy farms. For the size of the market we have it would supply about a third of the fresh milk needs in Alaska. They believe that Mat-Maid is competitive in this market. It is

generally sold at a premium compared to milk from outside the state. It is thought to be a fresher milk. It is an Alaskan branded product. If they can get enough volume through the plant they can bring their processing costs down more. The bankruptcy developed when local milk started declining. A couple of dairies went out of operation. They had to purchase outside milk.

Lay asked if the dairy line would be increased. Thomas said that was discussed. They do sell ice cream now, but it is manufactured someplace else. If milk production does increase they are going to have to go into additional product lines such as the two percent milk. He talked about the possibility of other products. They will replace the outside sourced milk with Pt. MacKenzie milk. At some stage they may have to expand their market share.

Lay asked about the impact on the total Alaska agriculture. Thomas said as the number of cows increase the feed increases and that will expand the market for the Delta farmers. The financial problems aren't as serious as they appear. He believes it is a viable business. The function of the processing plant is to produce as efficiently as possible so the farmers can make enough money to keep farming. The university's role as a land-grant institution is responsible for agricultural research in Alaska. They provide applied research information to agricultural problems. As an agricultural economist this is an applied agricultural research problem. It happens to be a realistic problem, but it is still a research problem. The farmer owners of Mat-Maid can take the information and do with it what they wish.