

Unknown

From: Todd Palin [fek9wnr@yahoo.com]
Sent: Wednesday, June 27, 2007 9:09 PM
To: Austerman; Joseph M (CED)
Subject: Mat Maid

Hey Joe,

Some interesting stuff from Halcros blog

Soft Landing: Spilled milk on the runway?

Posted: June 22, 2007 - 4:25 pm

The Associated Press ran the first story about opposition to keeping Matanuska Maid open. In the article, UAA Economics Professor PJ Hill said the state has no business using public funds to subsidize an unsustainable business, especially since it should have been privatized a long time ago.

One of the constant ideas we keep hearing about is keeping Mat-Maid going until November. Why November? Because that is the projected date when a new local milk bottling plant is scheduled to open in Palmer. That is the soft landing you keep hearing about in the media.

This spring the USDA after putting out a request for

proposals to create a sustainable local dairy project, a \$475,000 grant was awarded to Robert Wells and Robert Gottstein. The grant was awarded to develop a local milk bottling plant to sell "Natural" Alaskan milk. Wells currently sits on the Mat-Su Borough Assembly and Gottstein currently owns and operates a water bottling plant in the same building as the State Agriculture offices across from the Palmer Fairgrounds.

In attracting this grant money, the operators have reportedly promised local milk producers prices of \$25 to \$28 per cwt. Given the fact that currently Mat-Maid is paying local milk producers \$22 per cwt, while imported milk costs them \$19.74 per cwt, that means this new concern would be paying between twelve and twenty-two percent higher than the cheapest milk currently being procured by a hemorrhaging Mat-Maid. In addition, the market challenge of expecting consumers to pay much more for organic milk is one thing, but natural simply means hormone free which most milk is today because of recent health scares.

A handful of companies, including Mat-Maid, bid on the proposal and the grant was awarded to Wells and Gottstein. After the bid opening, one unsuccessful

bidder protested the award. The protest claimed the bid violated procurement rules by being narrowly written to favor one specific group. The local agriculture representative dismissed the complaint, claiming the award couldn't be appealed.

The issue was taken up with USDA National Appeals Division. After a preliminary tele-conference, the Appeals Division found the proposal and the award process so questionable that on July 18 they will be flying in a team of investigators. This of course has put the entire grant thus the future of the milk bottling plant in Palmer on hold.

If the grant is found to be legal, the plant is scheduled to open in November. If the grant is found to be illegal, the RFP process will start all over again. This might put the state in a position of needing to put a lot more than \$600,000 into Mat-Maid to keep it running.

The real challenge, as is pointed out in the AP story by a dairy expert, is the small size of the Alaska's dairy industry. High costs and low volume are killers in any industry. And while the ADN letter to the editor section this morning is flooded with those

appealing to keep Alaska's dairy open, the fact is 62%
of all milk consumed in Alaska today is cheaper
outside brands.

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