



**House Appropriations Committee
Government Operations Division
Engrossed Senate Bill No. 2014 Budget No. 475
North Dakota Mill & Elevator Association
March 12, 2025**



Mr. Chairman and Representatives:

I am Vance Taylor, President and CEO, of the North Dakota Mill and Elevator. Here with me today is Cathy Dub, our CFO. The North Dakota Mill & Elevator Association started operations in 1922 and serves as a foundation for value-added economic development in the state, promotes the export for North Dakota wheat, and returns a percentage of its annual profits to the state general fund. NDM operates under Chapter 54-18 of the North Dakota Century Code.

The North Dakota Mill and Elevator Association (NDM), located in Grand Forks, is presently the largest single site wheat flour mill and the 8th largest wheat milling company in the United States with sales over \$500 million annually.

Our milling complex presently includes 10 milling units with the capacity to produce 6,050,000 lbs. of finished products per day, a terminal elevator with total available storage of over 5,000,000 bu. of grain and a packaging center and warehouse capable of producing, storing, and shipping large quantities of various sized bags of milled products. We process over 130,000 bu. of top-quality North Dakota spring wheat and durum per day, adding value to approximately 40,000,000 bu. per year.

NDM normally operates 24 hours per day, 5 to 7 days per week. Our milling units process about 90% spring wheat and 10% durum. Approximately 80% of our products are shipped in bulk trucks or railcars and 20% is shipped in bags or totes.

NDM produces conventional and organic products. At present organic products make up about 1% of our total shipments.

The Mission of the North Dakota Mill is to:

- Promote and provide support to North Dakota agriculture, commerce and industry.
- Provide superior quality, consistency, and service to our customers.
- Grow the business and provide a profit to our owners - the citizens of North Dakota.
- Conduct our business with the highest integrity so that our employees, customers, suppliers, and owners are proud to be associated with the North Dakota Mill.

NDM had no audit findings in Fiscal Year 2024.

Current Biennium Accomplishments:

- Record profits reached in Fiscal Year 2024 - \$20,795,168 representing a 20.6% increase over the record profits of \$17,238,265 in Fiscal Year 2023.
- Record flour production reached in Fiscal Year 2024 – 17,574,984 hundred weights (cwt.) representing a 9.8% increase over Fiscal Year 2023.
- Record flour shipments reached in Fiscal Year 2024 – 17,529,182 cwt. representing a 10% increase over Fiscal Year 2023.
- Record purchases of grain reached in Fiscal Year 2024 – 37.2 million bushels.
- Record \$9,877,705 transferred to the General Fund.
- Record \$1,039,758 transferred to APUF.

- Profit increases of 8.8% in Q1 & Q2 Fiscal Year 2025 over Q1 & Q2 Fiscal Year 2024.
- Flour production increases of 7.7% in Q1 & Q2 Fiscal Year 2025 over Q1 & Q2 Fiscal Year 2024.
- Flour shipment increases of 7.8% in Q1 & Q2 Fiscal Year 2025 over Q1 & Q2 Fiscal Year 2024.
- Midds Storage and Handling Facility Project - \$56,000,000 scheduled to be completed in April 2025.
- Several projects have been completed recently, and others are underway to further improve milling, packing, and loading efficiency.
- Other projects that we are working on will improve plant reliability and employee and product safety.

Current Biennium Challenges:

- Elevated interest rates.
- Inflationary pressure on various expense categories.
- Volatile grain markets.
- Rules and on-going regulatory changes regarding food safety and security.

2025-2027 Biennium Goals:

- Add more milling capacity to facilitate company growth.
- Continue the modernization of our terminal elevator.
- Add a new 9th floor to the A – B milling building to facilitate modernization and capacity increases for the mills.
- Complete the installation of 2 additional electrical generators.
- Reach sales and production of 19.5 million cwt. per fiscal year.

Strategic Plan FY 2025

Working with Dr. Denny Elbert, former Dean of the UND Business School, the North Dakota Mill management team has developed the following strategic objectives for Fiscal Year 2025:

- Promote and Support ND Agriculture, Commerce, and Industry
- Identify and Respond to Emerging Issues in the Flour Milling Industry
- Maximize Profit Potential
- Grow our Customer Base
- Invest In and Protect Our Employees

FTE Data:

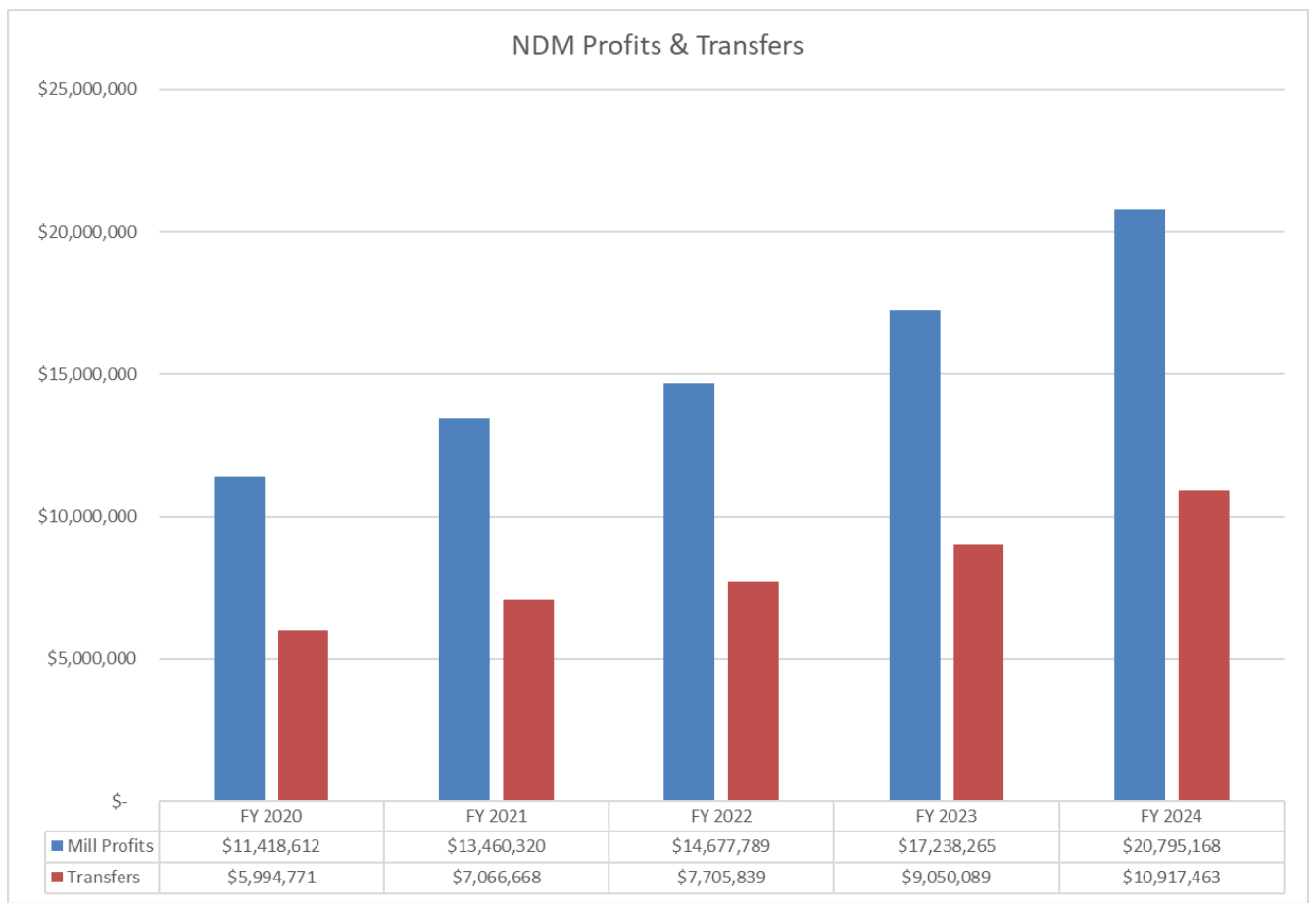
2023-2025 Biennium Approved Positions (14)			
Position	Funding Appropriated	Date Filled	Amounts Transferred from Pool
2nd Shift Grain Mixing	\$158,526	Sep-24	\$66,053
2nd Shift Grain Mixing	\$158,526	Sep-24	\$66,053
2nd Shift Grain Mixing	\$158,526	Sep-24	\$66,053
Mechanic	\$183,614	Dec-24	\$53,554
Electrician	\$221,526	Jul-23	\$221,526
Equipment Oiler	\$155,282	Sep-24	\$64,701
Midds Storage & Handling	\$156,082	Sep-24	\$65,034
Midds Storage & Handling	\$156,082	Sep-24	\$65,034
Midds Storage & Handling	\$156,082	Sep-24	\$65,034
4th Shift Miller	\$174,964	Open	
4th Shift Miller	\$174,986	Open	
4th Shift Miller	\$174,986	Open	
4th Shift Assistant Miller	\$172,344	Open	
4th Shift Grain Cleaner	\$165,806	Open	
Totals	\$2,367,332		\$733,042

Budget Request:

All operating funds are generated internally at NDM. Short or long-term cash needs are met by borrowing from the Bank of North Dakota. **No funds are received from the State.**

NDM currently transfers 5% of profits to the Agricultural Product Utilization Fund (APUF) and 50% of the remaining profits to the General Fund. In fiscal year 2024, the Mill transferred \$1,039,758 (5% of profits) to the APUF and \$9,877,705 (50% of remaining profits) to the General Fund. We respectfully request that the General Fund transfer amount not be increased above 50% of remaining profits for the 2025-2027 biennium, a change from the 0% recommended by the Burgum budget, but matching the percentage that Governor Armstrong put forward. Any increase in the General Fund transfer rate would hinder growth and put pressure on cash flow. At the General Fund transfer rate of 50%, we estimate transfers would equal \$20.0 million for the biennium.

In the past six fiscal years, NDM has invested \$115.0 million in capital projects. The Mill currently has another \$37.9 million in projects in progress with the \$56.0 million Mids Storage & Handling Facility scheduled to be completed in April 2025. Due to the significant amount of capital investment made and the elevated interest rates, the Mill is focusing on reducing debt to strategically place us for future growth.



Our budget request is for \$108,043,394. This is a \$10,632,474 increase over the base level budget of \$97,410,920. The increase represents restoration of the FTE funding pool amounts, increases in wages and benefits, operating expenses, and an additional 2 FTEs.

For biennium 2023-2025 the Mill's appropriation amount was \$54,019,267 for wages and benefits. NDM has requested \$61,960,587 for the 2025-2027 biennium. This represents requesting the total amount of the FTE funding pool that was removed from our 2023-2025 biennium budget (\$4,123,895) as well as 2 additional FTEs, wage increases of 4% each year and increases in overtime and shift differential funding.

NDM's union contract expires June 30, 2025. NDM will negotiate a new contract with the union in the early summer of 2025. As we have not started negotiations and are not certain of the wage increase that will be agreed upon, we have used increases of 4.0% for each year of the new biennium for salary and wage increases. Our budget request also includes increases in overtime and shift differential that would allow continuous 24/7 running of the mills.

The two (2) requested positions are for car checkers. These positions move, clean, and load railcars and trucks with flour to ship to customers. With additional capacity we need more employees to complete the cleaning of vessels and the loading of flour. These two positions would bring the 2nd shift load out and the 3rd shift load out to five person crews to maximize efficiencies. These positions added \$359,984 to the salary and benefits expense.

Additionally, NDM requests to have the flexibility to hire employees as needed and not be legislatively mandated to a certain number of FTEs. This would allow us to change departments from 3-shift to 4-shift operations as we see the need to move in that direction and would provide a better work life balance for our employees. NDM would also request to be removed from the FTE Funding Pool this biennium. NDM has a complex payroll due to the union contract we must abide by, and employees may work within several job classifications within the same pay period. When NDM has vacant positions, it is more costly due to those hours being covered by other employees within the department, most times at overtime rates. NDM operates as a for-profit business and continues to manage employees in a manner that will allow for maximum profit potential.

For the 2025-27 biennium the Mill has requested \$61,960,587 in salary and benefits. This request did not include the additional funds for increased health insurance costs as well as any wage increases that are granted greater than 4.0% per year. The Senate increased our wages and salary appropriations to include the increases in health insurance and the additional overtime funding we requested. The total Senate wages and salary appropriation is \$60,365,008 and the amount for the New and Vacant FTE pool is \$1,973,530. If State Agencies are required to pay ADEC retirement contributions that will be assessed beginning January 1, 2026, those amounts would also need to be added into our appropriation amounts when the percentages become available.

To reach 19.5 million cwt. of production and sales NDM will need additional funding for inflationary factors and business growth. We have seen cost increases across many of our expense categories. We evaluated the new biennium budget based on the current biennium budget and the first-year expenses as well as considering the current economic environment with continued inflationary pressure. We adjusted line-item operating expenses where needed to allow us to continue to meet our operating needs. For the 2025-27 biennium the Mill has requested \$45,082,806 in operating expenses. This is up 6.3% from the 2023-25 biennium operating expenses appropriation of \$42,391,653.

For biennium 2023-25 the Mill's appropriation amount was \$16,004,550 for utilities. In the first year of the current biennium the Mill spent \$5,237,682 on utilities. The largest portion of our utility bill is the electrical expense. The Western Area Power Administration (WAPA) supplies a significant portion of our

electrical power. WAPA, starting January 2023, imposed a drought fee on the cost of their power, representing an estimated 15% increase in cost. The remaining portion of our electrical power comes from Nodak Electric. In addition to rising power prices, natural gas and propane prices continue to be volatile. The 2025-2027 biennium will be the first full biennium with the new Midds Storage & Handling Facility which will also require additional power. The Mill budgeted \$16,504,550 for utilities for the 2025-27 biennium.

For the biennium 2023-2025 the Mill's appropriation amount was \$1,500,000 for Operating Fees and Services. This item includes the cost of fumigations and heat treatment to eliminate insects as well as various other services used in the plant. The cost of fumigations and general services continue to rise. We anticipate this expense to be \$4,000,000 in the 2025-2027 biennium.

For biennium 2023-2025 the Mill's appropriation amount was \$5,720,000 for insurance. Property insurance rates have begun to stabilize; however, inflation has increased the value of property that we are insuring. Food safety issues, as well as the increase in buildings and equipment from the expansion, will drive up the cost of our property and liability insurance. The cost of property insurance is anticipated to remain high with all the natural disasters occurring in the world today. As the Mill has increased cwts. of production and sales, we have increased the volume of flour inventory carried. This has resulted in an increased cost for insurance for these higher inventory values. The Mill anticipates our insurance costs to be \$6,070,000 in the next biennium.

For the 2025-27 biennium the Mill is requesting \$45,082,806 in operating expenses. This represents a 6.3% increase from the 2023-25 biennium appropriations. The Senate increases our operating expense appropriation by \$2,710,224 to bring our operating expense appropriation to \$45,101,877. The increase in operating expenses allows us to continue to grow.

The volume of production and sales at the Mill drives a large share of these operating expenses. We continue to work hard to keep our expenses down to increase our profitability and improve our returns. The Mill is currently on pace to have sales reaching above 18,000,000 cwts in FY 2025, an approximate 8.0 % increase over the previous fiscal year. This represents grinding more than 40,000,000 bushels of spring wheat and durum. All expenditures incurred are paid for with the revenues generated by the North Dakota Mill. No General Fund dollars are expended by the North Dakota Mill. It is necessary for us to have room within our budget to continue the growth NDM has experienced in order to achieve the profitability levels and make the General Fund and APUF transfers that are expected of the mill.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.

NORTH DAKOTA MILL ORGANIZATION CHART

01/06/2025

