



Written Testimony

3-3-2023

Re: Manufacturing Automation Tax Credit

Cloverdale Foods Company, local to Mandan, ND, has been part of the community for over 108 years. On behalf of our 480+ hardworking employees, please accept this letter as a sign of support for the Manufacturing Automation Tax Credit. Throughout the family's 4 generations of competing in the food business we have learned how to create quality products and positively impact the community. In North Dakota, Cloverdale has \$20 million in annual sales and 5 million pounds sold. Cloverdale has sustained excellent growth, in 2021 and 2022 we grew by 11% and 12% respectively. In 2023 we expect to match or exceed those that growth percentages. As a Premier Primary Sector Employer and a long-term steward of the great state of North Dakota, this credit is vitally important to assist our growth and in obtaining our next overall milestone of 58 million annual pounds produced and \$225 million in net sales. It is our intent to meet or exceed those milestones within the next 12 to 18 months.

The Manufacturing Automation Tax Credit is important to Cloverdale for several reasons. Over the past 5 years Cloverdale submitted over \$5 million worth of qualified automation projects through the Automation Tax Credit Program. The list of overall equipment has ranged from stuffing lines, smokehouse upgrades, tumblers, slicing line automation, a bacon press, fermentation rooms and packing line upgrades.

In 2022, Cloverdale launched two new product categories: Snack Sticks and Fully Cooked Bacon. Current demand has exceeded our strategic plan and we have identified a need to further automate these new production lines to add capacity, in addition to, what we have already invested.

In 2023, Cloverdale has two major automation projects: palletization system for finished goods and bacon air chillers. To retain our market share and add growth capacity, Cloverdale must continue to invest in automation. Investing in automation is significant in our efforts to stay relevant to the competition, increasing efficiency of output, and creating the safest environments for our workforce.

HR Department
3015 34th Street NW
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Cloverdale fully support the proposal to create a new section to chapter 57-38 and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to the provision of an income tax credit for purchases of manufacturing and animal agricultural machinery and equipment to automate a manufacturing or animal agricultural process. This new section will increase the total annual funding available from \$1 million to \$1.5 million per annual.

Our support comes from the evidence that the current demand statewide for the Automation Tax Credit far exceeds the current \$1 million limit, which consequently reduces the amount of max credit dollars that can get awarded to each qualified recipient. In 2021, Cloverdale had \$988k of qualified purchases, the max award is 20% of that value or \$198k; however, due to demand and the current limit, we only received 40% of the \$198k, or \$79k.

As you are aware, there are many companies throughout this great state investing in their businesses. If the tax credit and limit increase would be approved, it would be an important part of the financial planning process for all of us. We will continue to be active participates in the Automation Tax Credit and we would be very grateful for the funding to get passed.

Sincerely,



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