

# Northern Crops Institute

Agency: 63800

NCI Testimony / Senate Government Operations Division / January 16, 2025

Chairman Senator Wanzek

Senators Burckhard, Dwyer, Erbele, and Sickler

---

Chairman Wanzek and members of the Government Operations Division of the Senate Appropriations Committee, my name is David Boehm and I have the pleasure of being the new Director of the Northern Crops Institute. My testimony is in support of SB2020, and administered within the North Dakota State University College of Agriculture, Food Systems, and Natural Resources. The NCI Agency update will be found in their book starting on page 81. I will not address all NCI pages, but the information exists for your review.

**NCI INTRODUCTION:** I want to start by giving just a brief overview of the NCI and answering the questions requested by this committee. The NCI is a state agency, started by North Dakota Century Code chapter 4.1-15. Beginning in 1979, the NCI's mission is to support regional agriculture and value-added processing by conducting educational and technical programs that expand and maintain domestic and international markets for northern grown crops. The NCI is governed by our Northern Crops Council, with permanent membership from ND Wheat Commission, Barley Council, Oilseeds Council, Soybean Council, NDSU, the ND Department of Agriculture, and the ND State Mill and Elevator. Remaining seats are rotated with additional commodity groups from the region, and related ag industries. We are administered as a separate state agency by North Dakota State University.

The NCI is a collaborative effort between North Dakota, Minnesota, Montana, and South Dakota to promote, develop, and market crops grown in the region, both internationally and domestically. NCI is an international meeting and learning center that brings together customers, commodity traders, technical experts, agricultural producers, and food and industrial processors for education, discussion, and technical services. Representatives from more than 155 countries have visited NCI since its establishment in 1979. Representatives from 81 countries participated in NCI's educational programs in 2022 and 2023. Since we have moved into our new home in the Peltier Complex at NDSU in July 2024, we have already hosted participants from 44 countries.

**NCI IMPACT ANALYSIS:** Every 2 years, the NCI determines its impact to North Dakota agriculture by surveying past course participants and technical clients. Found on page 83 in your book, data from 2022-2023 continues to validate an increasing positive impact. I will point out just a few highlights of importance to our mission. The most important result of NCI is whether we can influence global and domestic purchases of northern-grown crops. I am pleased to report that 61% of global attendees have increased the volume purchases of US commodities as a result of NCI courses. Our courses target the quality of our commodities, their utilization, and specifically how international buyers get those products back to their home countries. Found on the next page, our technical services have resulted in increased commodity and ingredient purchase activity by 38%. Our staff works directly with ingredient suppliers and food manufacturers on the utilization of our regional ingredients in pasta productions, snack food products, all breads and bakery products, oilseed extraction, and soy-foods. Furthermore, the participants in our programs are key decision makers, and 81% are in roles of Senior Management, Purchasing, Research and Development, and Production. We know that our impact is measured by more than the number countries attending, participants in our courses, webinars, or on-line programs, or the number of private food companies we support. So we are confident that verifying increased purchases of commodities and ingredients will show our true impact.

**NCI CURRENT BIENNIUM MAJOR ACCOMPLISHMENTS:** Found on page 87 is a listing of some major accomplishments of the NCI in the current biennium. I will summarize a few of these now.

1. NCI successfully completed a physical relocation to the newly opened Peltier Complex. We are indebted to legislative and industry support to make this incredible facility a reality and welcome you for a tour anytime.
3. NCI has delivered a 20% increase in technical service projects in the last biennium. This has helped to grow markets for crops grown in North Dakota and the surrounding states, but also assisted in growing value-added agriculture in the region.
4. Improvements to the NCI Feed Production Center have positioned NCI well to provide training and consultation to global feed millers, feed buyers, and North Dakota livestock and feed producers as the livestock industry begins to expand in the state. You will see more information on the next page.
5. NCI collaborated with US Grains Council on a study designed to show the performance value of U.S. corn compared to corn from other countries, such as Brazil, Argentina, and Ukraine.

6. NCI has successfully navigated a significant budget shortfall through strong financial management and staffing changes, leading to a positive FY24 year-end balance and a projected reserve in FY25. This is coupled with improved financial accounting practices and transparency.
7. We have defined a new 5-Year Strategy with engagement from the Northern Crops Council, NCI Advisory Board, NCI Staff, and other key stakeholders, which will provide focus and key objectives for NCI to meet its mission and expand impact going forward.
9. NCI has strengthened relationships and maintained service with our state and national commodity partners while navigating budget and staffing changes.

**NCI 2023 LEGISLATIVE CAPITAL PROJECTS:**

Page 89 will show you highlights and a few recent photos of the NCI Feed Production Center. With gratitude to the 68<sup>th</sup> Legislative Assembly and under HB1020, \$3.9M was approved for significant upgrades to our processing and educational capabilities. We have replaced an aged pellet mill that was regularly in need of repair, but so old that no parts were available, and have also replaced grain bins that were no longer suitable for storing high quality feed ingredients. With the expansion efforts, we have added spaces for a new lab, meeting room, classroom, and storage for ingredients and packaged feeds. Within the current biennium, we have increased our technical services and commodity group-funded projects. We also know that the demand for livestock feed development with coproducts from the biofuels industry, and the increased investment in animal agriculture will solidify the return on this investment. We are excited to show you when it is completed this spring.

**CURRENT BIENNIUM CRITICAL ISSUES:** Page 91 in your book will show some of our current biennium critical issues.

1. NCI has become increasingly dependent on earned income and sponsorships to sustain current services and consider growth. The volatility of ag markets, grants, and commodity group partner income make that earned income uncertain. NCI needs to focus on sustainable income sources and growth to continue expanding its impact on the economy of North Dakota and the region.
2. NCI will have additional operating expenses for energy, maintenance, and consumable supplies in the new building and laboratories. The NCI cannot rely on grant funds to cover these costs. To meet its' mission, NCI needs a sustainable source of operating funds to cover these increased costs. I will speak more to this during my budget request.

3. Growth in crops being utilized for biofuels, new crops, and increased demands for information on sustainability, traceability, and artificial intelligence is creating a need for NCI to develop further areas of expertise. More staffing may be needed to manage growing needs in these areas. To be clear, I will not be asking for additional FTE today, only suggesting that there are new and important changes to the ag industry that would align with NCI's mission, but we are not capable to fully deliver today.
4. In the first quarter of 2024, NCI entered a leadership transition, a budget transition, and a facility transition. NCI needs time to focus on stabilization, continuing to provide service at a high level, and planning for financial sustainability, while sharpening its vision and implementing a new 5-year strategy.

**REQUEST FOR ADDITIONAL OPERATING EXPENSES (\$788,400 Biennium):** I will now review the request for additional operating expenses, found on page 91.

1. Peltier Complex Utility Costs:

The NCI is asking for an increase in appropriated funding of \$788,400 per biennium as was presented to the OMB. A large majority of these funds will be used to cover increased utility and operating costs of the Peltier Complex. While everyone understands the rising cost of utilities and operating expenses, the NCI space within the Peltier Complex is a significant increase in footprint for processing labs, meeting rooms, auditoriums, and demonstration spaces. Actually, these costs will likely be more than presented earlier to the OMB, given updated budget estimates we have received.

Chairman Wanzek and members of the committee, if funding is available, the next set of objectives could be key initiatives for the NCI.

2. Global Crop Quality Surveys: NCI has increased our ability to access samples of US and foreign commodities. We have the potential to provide invaluable crop quality information to our state and national commodity group partners. Per ND Century Code 4.1-15-03, the NCI is directed to conduct annual surveys to monitor the quality and condition of commodities in the market channel. NCI can quickly provide additional and valuable crop quality information to our partners

with available funds to procure samples. The work we did with US Grains Council is an example, and we are doing similar work with soybeans and soybean meal from the US and South America.

3. Part-Time and Student Labor: NCI proposes to hire flexible staffing to complement its' current workforce. The addition of part-time and student labor would allow flexibility and help us provide the exceptional service we desire, and deliver it in the most cost-effective manner. Temporary staffing also allows us to respond to opportunities and needs as they arise.
4. ND Start-Up and Registration Scholarships: The NCI has the potential to assist ND start-ups and educate various stakeholders throughout the supply chain. As we have begun offering training and services focused on specialty crops, we commonly find individuals that are not able to afford NCI services but have excellent business or product ideas to develop. Increasing our assistance to ND producers and entrepreneurs will lead to greater investment and activity in ND.
5. NCI Marketing Efforts: NCI and our services are not widely known across ND and regional food and agriculture. We will target the regional and domestic food industry, feed industry and ag marketing groups to increase awareness and participation in our services. We have also been asked to increase our engagement in national commodity group meetings with foreign customers and today unfortunately don't have the funds available to meet this opportunity.

**ONE-TIME REQUEST FOR EQUIPMENT (\$350,000):** Moving to page 93, I will now discuss our equipment funding request. The NCI is requesting one-time funding support of \$350,000 for the purchase of a pilot-scale air-classification system. NCI has added a protein extraction lab in the Peltier Complex, and we regularly work with food companies utilizing the proteins from our commodities. This special request would be used to purchase a pilot-scale air classification systems which can separate protein, starch, and fiber from various flours for further food development or research. This capability allows NCI to expand our client services and promote protein, starch, and fiber in the cereal grains, oilseeds, and pulse crops grown in our region. Interest is rapidly growing in using plant proteins in foods and beverages in the U.S. A significant share of recent NCI client work has involved protein fortification and food development, yet we either outsource the protein or starch separation, or we buy these ingredients from the marketplace. This equipment is not available in the region and our request has support from NDSU, UMN, and SDSU researchers who would access industrial-quality protein, starch, and fiber for other research projects. This equipment would be a key piece to the Peltier Complex protein lab, distinguishing NCI's capabilities to the food industry, and have a short return on investment. At current NCI daily rates, I estimate it will be paid for in less than 7 years and have a life expectancy of greater than 30 years.

**CLOSING STATEMENT:** The remaining tables address the questions asked of our agency. Chairmen Wanzek and members of the committee, the Northern Crops Institute is proud of the work we do to connect international and domestic customers to North Dakota farmers, commodity groups, and value-added processors. Our impact statement shows real economic return on the investment the ND legislature has made to our efforts. However, my staff is confident that there is more we can do to take advantage of our services, and our partnerships. We appreciate your consideration of our funding request, and I am happy to address any questions or comments that you might have. Thank you for your time.