NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

COMMERCE AND AGRICULTURE COMMITTEE

Tuesday, April 21, 1998
Fort Union Room, State Capitol
Bismarck, North Dakota

Senator Duane Mutch, Chairman, called the meeting to order at 8:35 a.m.

Members present: Senators Duane Mutch, David O'Connell; Representatives Glen Froseth, Pat Galvin, Lyle L. Hanson, Dennis Johnson, John Mahoney, Eugene Nicholas, Arlo E. Schmidt

Members absent: Senators Meyer Kinnoin, Harvey Sand, Herb Urlacher; Representatives Jack Dalrymple, George Keiser, Jim Poolman, Earl Rennerfeldt, Lynn J. Thompson

Others present: Kevin Cramer, Randy Schwartz; Department of Economic Development and Finance, Bismarck

Kevin Cooper, North Dakota Industrial Development Association, Hazen

Joy Johnston, Greater North Dakota Association, Bismarck

John Hoeven, Eric Hardmeyer; Bank of North Dakota, Bismarck

Alton Nitschke, Eide Helmeke PLLP, Bismarck

Jennifer Gladden, Tom Pederson; Job Service North Dakota, Bismarck

John Mittleider, North Dakota Barley Council, Fargo

Vern Thompson, State Senator, Minnewaukan

Roger Johnson, David Nelson; Department of Agriculture, Bismarck

Jeremiah Gardner, Associated Press, Bismarck

Brian Kramer, North Dakota Farm Bureau, Bismarck

Charles Ottem, North Dakota Barley Council, Osnabrock

Lance Gaebe, North Dakota Grain Growers Association, Bismarck

J. Patrick Traynor, Workers Compensation Bureau, Bismarck

It was moved by Representative Nicholas, seconded by Senator O'Connell, and carried on a voice vote that the minutes of the January 22, 1998, meeting be approved as mailed.

ECONOMIC DEVELOPMENT STUDY

Chairman Mutch called on Mr. Kevin Cramer, Director, Department of Economic Development and Finance, for an update regarding the restructuring of the Department of Economic Development and Finance and for information regarding investments from funds administered by the department. Mr. Cramer submitted documents regarding the restructuring of the department; a summary of investments of the North Dakota Development Fund, Technology Transfer, Inc., and the regional rural revolving loan fund through June 30, 1997; the 1997 annual report of the North Dakota Development Fund; a summary of the basic steps in the economic development process; and a review of examples of measurements that may be used to target the performance of the department. Copies of the documents submitted by Mr. Cramer are on file in the Legislative Council office.

Mr. Cramer said the department reorganization is proceeding and four divisions are now in place. He said the staff for the Administration and Support Division is filled; a coordinator is in place in the Business Development Division; and three research positions have been filled in the Research and Intelligence Division. He said the department is still seeking coordinators for the State and Local Development Division and the Research and Intelligence Division. He said the department has also hired a communications and marketing director. Project manager positions in the Business Development Division, he said, have been difficult to fill because the salary levels for the positions are too low. He said he has worked with representatives of the Central Personnel Division to attempt to move positions around in the department; however, the department is facing a challenge in attracting the level of talent it is seeking for project coordinator positions at the salary being offered.

Mr. Cramer said the department's 1999 budget proposal will reflect the new priorities of the department. He said the budget will require all expenditures to be applied to one of the divisions of the department.

Mr. Cramer said there are several outside programs that are based at the department. He said the department shares information and cooperates with the outside programs to assist developers in finding financing sources for projects.

With respect to the investments of the funds under the control of the department, Mr. Cramer said several projects receive funds from more than one source. He said the department has implemented a new tracking system through which it will be able to track the progress of each project through the department's project managers.

Mr. Cramer said he hopes to bring more outside programs into the department's divisions during the next biennium. He said the department will add a Funding and Financial Services Division which will consist of the Development Fund and the Agricultural Products Utilization Commission. He said the Development Fund should collaborate with other funding sources to help all programs work together and the Development Fund staff should be more proactive. He said if the other outside programs that are housed at the department, but not under the direct supervision of the department, were a part of the department, those programs and the department could be more efficient and make better investment decisions. He said the proposal will move work force development into the same division as business development.

Mr. Cramer said the department is implementing measures to gauge the effectiveness of the department by establishing benchmarks that reflect the performance of the state's economy. He said the department needs some method through which it can measure the satisfaction of its business clients and economic development and community clients. He said he would like to see the department work with a third party to measure services and determine the likely impacts of development, including the economic impact, community impact, and the distribution of public costs. In addition, he said, he would like to be able to measure the effectiveness of other economic development providers such as regional councils and the business innovation centers. He said the state needs accountability in the use of economic development funds, a competitive environment, and flexibility in the contracting with economic development entities to get the best service for the lowest cost.

In response to a question from Senator Mutch, Mr. Cramer said he would like some flexibility in the hiring of staff. He said the classification system sometimes causes problems when governmental entities are attempting to hire quality employees in a competitive market. Another area in which the department could use additional flexibility, he said, is in its operating budget. He said the department needs to be able to shift funds to priority areas when necessary.

Mr. Randy Schwartz, Deputy Director, Department of Economic Development and Finance, said the meetings held in the process of developing the enhancing Growing North Dakota program revealed that the state lacks a program to address the needs of existing businesses. In addition, he said, the process also revealed that economic development programs were often fragmented and there is a lack of communication between programs within the department and throughout the state with other programs. He said the department is attempting to develop a role for retaining and expanding existing businesses. He said representatives of the department will be reviewing a plan implemented in Pennsylvania which identifies the needs of existing businesses and attempts to respond quickly to those needs. He said the program also measures the effectiveness of the response to the needs of the businesses.

In response to a question from Representative Froseth, Mr. Schwartz said work force development is one of the most important issues in economic development in the state.

In response to a question from Representative Froseth, Mr. Cramer said the availability of suitable housing is important to recruitment of businesses to rural areas. He said the state has numerous programs geared toward providing housing for low-income persons but lacks programs for middle-income persons, particularly in rural areas. He said the Bank of North Dakota has been working with various agencies to examine programs that may address concerns with the housing equity gap in rural areas. Another problem, he said, is the availability of housing contractors in rural areas. He said contractors are busy and profitable in urban areas of the state and are sometimes unable or unwilling to build in rural areas.

In response to a question from Senator Mutch, Mr. Cramer said the department has not been able to hire project managers because the salary levels offered by the department are not competitive. Therefore, he said, the department is considering hiring persons with less experience and hoping to develop the talent of those persons. However, he said, he is concerned with the possibility of losing the talent once the persons become more marketable and are able to make more money in other positions. He said he would like to have authorization for the department to

have a limited number of nonclassified positions so that there would be flexibility in hiring in various priority areas. Because the persons in those nonclassified positions would be evaluated on their performance, he said, there should be no concern regarding the role of politics in hiring.

In response to a question from Representative Froseth, Mr. Cramer said the rural electric cooperatives have been working on Project Back Home. He said a web site has been developed and is proving to be helpful.

In response to a question from Senator Mutch, Mr. Cramer said it is sometimes difficult to work with the independent programs that have been housed at the department because he has no supervisory control over the activities of those programs. He said he likes the model of the Development Fund where the department director has supervisory control over the staff. He said he likes the concept of the independent boards making the funding decisions but would prefer that the staff be managed by the department.

In response to a question from Senator Mutch, Mr. Cramer said the assets from Technology Transfer, Inc., will be transferred to the Development Fund in 1999 when Technology Transfer, Inc., is eliminated.

Mr. Kevin Cooper, President, North Dakota Industrial Development Association, said the association is a group of approximately 100 members consisting of economic development professionals, bankers, and utility representatives. He said the association is concerned that the state provide the tools necessary through enhancing Growing North Dakota to promote and sustain development in the state. He said there is a need to become more selective regarding the investment of economic development funds in the state.

Mr. Cooper said the hiring of project managers will be a good step forward to achieve the goals of restructuring the Department of Economic Development and Finance. He said it is important for the department to have the flexibility to hire employees and to design positions to address priority needs. However, he said, it is important that the department be accountable when given that flexibility. He said the commitment of the department leadership to change and create a new culture regarding development in the state is important. It is important now to focus on higher wage and technically orientated jobs, he said, rather than simply jobs creation.

In response to a question from Representative Mahoney, Mr. Cooper said economic development officials have been working with representatives of higher education to train employees in areas of need. However, he said, in some areas there has been reluctance by higher education officials to provide technical training that is needed. He said this is especially true with the four-year universities.

In response to a question from Representative Froseth, Mr. Cramer said the department has a good relationship with representatives of higher education. He said collaboration with the institutions of higher education is critical to development in the state. He said the higher education system is somewhat hampered in its ability to change its focus because missions of the schools are set in the state constitution and funding is generally based on the number of traditional students.

In response to a question from Representative Hanson, Mr. Cooper said the higher salaries in certain areas of the state are generally reflective of the types of jobs in those areas such as energy-related jobs and manufacturing. In addition, he said, the scarcity of labor in some areas of the state has resulted in higher wages in those areas.

Chairman Mutch called on Mr. Eric Hardmeyer, Senior Vice President of Lending, Bank of North Dakota, for comments regarding Bank of North Dakota loan programs. Mr. Hardmeyer reviewed two documents relating to the partnership in assisting community expansion (PACE) fund, copies of which are attached as Appendix A.

Mr. Hardmeyer said the Bank of North Dakota has participated in 282 loans under the PACE program and has committed to 14 more loans as of March 31, 1998. He said the Bank's share of the loans funded is approximately $148 million. He said the Bank's share of the 14 loans to which the Bank has committed is approximately $8 million. He said the total number of jobs created as a result of the loans funded is approximately 6,451, and the anticipated number of jobs that will be created as a result of the 14 committed loans is 160.

Mr. Hardmeyer said $5,032,940 was available for this biennium for use in the PACE fund. He said the Bank has used or committed approximately $2,771,000. Therefore, he said, the PACE fund has over $2,220,000 in remaining funds for the biennium.

Mr. John Hoeven, President, Bank of North Dakota, reviewed a written summary of Bank of North Dakota loan programs, a copy of which is attached as Appendix B.

Mr. Hoeven said the Bank of North Dakota makes loans under general statutory authority and specific statutory authority. He said the loan programs under general statutory authority can be changed or modified when necessary. He said

the loan programs created through specific statutory authority are established for special purposes such as the beginning farmer loan program and the agricultural partnership in assisting community expansion (Ag PACE) fund. He said two loan programs authorized by specific statutory authority that could be eliminated are the loans to nonprofit corporations for improvements to property controlled by the state parks program authorized by North Dakota Century Code (NDCC) Section 6-09-15(1)(g) and the oil and gas development loan program authorized by North Dakota Century Code Chapter 6-09.12.

Mr. Hoeven said the loan volume of the Bank of North Dakota has tripled over the past five years and the Bank owns and administers more than $900 million in outstanding loans. Because the Bank participates with lead lenders on most loans, he said, the total amount loaned through the Bank programs is actually higher than the $900 million.

In response to a question from Senator Mutch, Mr. Hoeven said the Bank attempts to work with other economic development funding entities to coordinate activities. He said the one stop capital center, which is located at the Bank, combines five primary agencies including the Small Business Administration, the Department of Economic Development and Finance, the Dakota Certified Development Corporation, and the Rural Development Program.

In response to a question from Representative Froseth, Mr. Hoeven said over 50 percent of the Bank's loan portfolio is federally guaranteed. He said the Bank shares risk with local banks and most guarantees are from the Small Business Administration and other federal programs.

In response to a question from Representative Nicholas, Mr. Hoeven said the Bank operates on a lower margin than commercial banks in its role as a development bank. He said the Bank is currently making a significant amount of farm credit available due to difficulty in the agricultural sector.

Representative Nicholas commended Mr. Hoeven for the programs initiated at the Bank to assist farmers. He said the Bank of North Dakota is an excellent asset for rural banks.

In response to a question from Representative Mahoney, Mr. Hoeven said the Bank occasionally hears complaints regarding competition with commercial banks. However, he said, the role of the Bank is to support and enhance local banks. He said the loans funded by the Bank generally are loans that commercial banks are unwilling or unable to make.

In response to a question from Representative Schmidt, Mr. Hoeven said overseas investments by the Bank of North Dakota are very minimal. He said the Bank has very few customers who are exporting commodities and have bona fide overseas customers.

In response to a question from Representative Froseth, Mr. Hoeven said the Bank attempts to provide additional flexibility when needed in rural areas of the state to assist development projects. He said there are occasional problems with finding a local funding source for a project, but the Bank makes an effort to find a local source if there is a good project proposed.

In response to a question from Senator Mutch, Mr. Hoeven said he had no specific recommendations for possible legislation to enhance development in the state. He said the Bank of North Dakota has an excellent working relationship with the Department of Economic Development and Finance and has been trying to cooperate on projects with other development entities. He said there is a need to find better ways to measure the impact of development programs and collectively measure the effectiveness of the programs.

WORKERS' COMPENSATION REPORT

Chairman Mutch called on Mr. J. Patrick Traynor, Executive Director, Workers Compensation Bureau, for comments regarding the bureau's 1998-99 proposed rate structure, 1999 workers' compensation legislative proposals, and the independent performance audit of the bureau's operations. Mr. Traynor submitted written comments, a copy of which is attached as Appendix C.

Mr. Traynor said the bureau will be proposing an overall 6.1 decrease in collected premiums for 1998-99. He said the rate schedule will include preferred and standard rates based on individual account loss history and the new rates will contemplate anticipated benefit increases in the bureau safety and loss prevention budget.

With respect to 1999 legislative proposals, Mr. Traynor said the bureau would like to add safety and claims management training specialist and support staff positions dedicated to prevent losses in high injury and high cost industries. He said the bureau will propose to invest approximately $300,000 per year in premium dollars to contract with safety and claims management training specialists to target high injury and high cost industries. In addition, he said, the bureau plans to provide additional safety and claims management training, an interactive web page, and a new computer system with links for safety representatives and customers. He said the

bureau will also be proposing to add two professional statistical and research monitoring employees to target, monitor, measure, and benchmark results and returns of safety and loss prevention investments. With respect to premium products, he said, the bureau will propose products designed to provide incentives for safety in the workplace such as high deductibles, dividend programs, and preferred ratings. He said the bureau will also propose to remove the sunset clause on the workers' advisory program and add two or three worker advisors. With respect to cash benefit increases, he said, the bureau will propose legislation relating to permanent partial impairment, the expansion of the scholarship program, and increases in death and other severe injury benefits.

Mr. Traynor said the independent performance audit is progressing well and should be completed by July as required by law. He said the audit is being conducted by the Eide Helmeke accounting firm.

In response to a question from Senator O'Connell, Mr. Traynor said the study of trucking rates is still underway and he will update the committee at future meetings regarding the progress of the study.

In response to a question from Representative Schmidt, Mr. Traynor said he would like to see legislation that would allow the bureau to impose higher deductibles and discount premiums to provide incentives to employers to ensure the safety of employees.

In response to a question from Senator O'Connell, Mr. Traynor said employers are required to report all injuries. He said compliance with the reporting requirement is good due to the safety programs required by the bureau.

In response to a question from Representative Mahoney, Mr. Traynor said the bureau will be proposing legislation that would allow the bureau to offer dividends at the end of the year to provide direct savings to employers with good safety and claims management records. He said the proposal will not affect the stability and consistency in the rate structures.

Chairman Mutch requested Mr. Traynor to report to the committee at future meetings regarding the proposed legislation.

In response to a question from Representative Froseth, Mr. Traynor said the bureau has no unfunded liability.

In response to a question from Representative Mahoney, Mr. Traynor said the bureau's use of private attorneys has been cost-effective. He said claims that should be litigated are no longer being settled due to the lack of time and resources. He said he believes the new system is timelier and more fair.

At the request of Representative Mahoney, Mr. Traynor said he would present a report to the committee regarding the attorneys' fees paid by the bureau.

Mr. Alton Nitschke, Eide Helmeke, said the performance audit of the bureau's operations is progressing well. He said a specialized consulting firm was contracted with to perform a part of the audit. Although the audit is approximately 80 percent complete, he said, he cannot discuss the findings at this point. He said he has received outstanding cooperation from the bureau and its employees and it appears that the bureau employees are interested in improving the bureau's processes.

JOB SERVICE TRUST FUND REPORT

Chairman Mutch called on Ms. Jennifer Gladden, Executive Director, Job Service North Dakota, for comments regarding administrative changes, statutory changes, and changes in the unemployment insurance tax structure that may be proposed by Job Service for consideration by the 1999 Legislative Assembly. Ms. Gladden submitted a written report, a copy of which is attached as Appendix D.

Ms. Gladden said she has created an ad hoc committee to examine the level of the unemployment insurance trust fund. She said the projected level for the fund at the end of the first quarter of 1998 was $23,512,958 and the actual balance was $26,473,103. She said the balance should remain at the level above the projections throughout the year taking into account the administrative changes and economic trends. Ms. Gladden submitted charts showing income received, benefits paid, and projected and actual trust fund balances since 1994, a copy of which is on file in the Legislative Council office.

Ms. Gladden said Job Service contracted with Wolfe and Associates to prepare a business and technology plan, and the information technology plan was recently approved by the Information Services Division. She said Job Service has also transferred its accounting and payroll systems to the state SAMIS system. In addition, she said, Job Service is installing a product to allow the transition from a mainframe to a client server system. She said the Fargo office is conducting a pilot project self-registration system to allow job applicants to register by computer.

Ms. Gladden said Job Service has been working with the Workers Compensation Bureau to establish a cooperative program under which

each agency gathers employer audit information relevant to the other agency during the performance of employer audits. She said this cooperative program was undertaken pursuant to 1997 Senate Bill No. 2017.

Ms. Gladden said Job Service is undertaking internal organization changes to become more efficient. She said Job Service has experienced overcrowding in the Bismarck office and a lack of parking for customers. She said a proposal may be made to the 1999 Legislative Assembly to sell the Bismarck office and lease or rent office space in Bismarck.

With respect to the Work Force 2000 and new jobs creation programs, Ms. Gladden said 72 Work Force 2000 projects have been approved and the new jobs training program has 31 projects in place. She said the Work Force 2000 projects have trained 2,852 persons and approximately $1 million of the $1,850,000 available to the program has been obligated. She said the average Work Force 2000 obligation per job is $358.75. Of the obligations of the program, she said, 31 percent are in rural areas. She said the 31 new jobs training program projects have helped support creation of over 3,949 new jobs. She said there are another 14 projects for which preliminary agreements are in place.

Ms. Gladden said Job Service has been sponsoring job fairs in an effort to meet the demand for workers. She submitted a summary of job fairs held in Bismarck, Grand Forks, Dickinson, Jamestown, Valley City, and Minot. A copy of the summary is on file in the Legislative Council office. She said a recent job fair held in Bismarck was attended by seven employers and attracted 275 job seekers.

In response to a question from Representative Mahoney, Mr. Tom Pederson, Job Service North Dakota, said most unemployment insurance benefits are paid in the first quarter of the year. In addition, he said, the least amount of taxes are generally paid during the first quarter. Therefore, he said, the trust fund balances are usually lower in the first quarter.

In response to a question from Representative Schmidt, Ms. Gladden said the decrease in the balance of the trust fund was due in part to the decrease in the job insurance taxes and the fact that the winter of 1997-98 was long and severe, resulting in lower employment in seasonal jobs.

In response to a question from Senator Mutch, Ms. Gladden said the ad hoc committee will be examining the question of what the proper balance in the trust fund should be. She said a number of different formulas may be used to determine an appropriate balance.

BARLEY DISEASE REPORT

Chairman Mutch said he had received requests from Senator Vern Thompson and the North Dakota Farmers Union to reserve time on the meeting agenda for discussion relating to the concerns of barley producers relating to barley diseases in the state.

At the request of Chairman Mutch, Mr. John Mittleider, North Dakota Barley Council, presented comments regarding losses experienced by North Dakota barley producers as a result of fusarium head blight. Mr. Mittleider submitted a written summary of his comments, a copy of which is attached as Appendix E.

Mr. Mittleider said this is the worst crop disease to hit the Dakotas since the 1950s. He said the economic impact of the disease since 1993 to barley producers in the midwest is about $400 million. He said 40 percent of the barley produced in the United States is produced in the midwest and the average value of barley per year in North Dakota exceeds $250 million. Before 1993, he said, 60 percent of the midwest barley went for malting and brewing. Now, he said, less than 30 percent of the midwest barley will be used for malting and brewing.

Mr. Mittleider said little can be done to control the disease culturally or chemically. He said the greater effort is focused in the area of genetics. He said it may take five to six years to develop new varieties that are resistant to the disease.

Mr. Mittleider said testing procedures for vomitoxin are set by brewing companies. He said brewing companies have set different levels; however, the largest brewing company that purchases approximately 50 percent of the malting barley has set a level of .5 parts per million. He said it is nearly impossible to accurately measure at that level. Further compounding the problem, he said, is the uneven distribution of the disease in the barley throughout a field, throughout a load, and throughout a sample. He said the Barley Council has begun a study with the Federal Grain Inspection Service to attempt to develop the best sampling techniques and determine the optimum size of a sample to provide uniformity in the testing system.

In response to a question from Senator O'Connell, Mr. Mittleider said Canadian barley producers are growing more malting barley and exporting it to the United States. He said there is some dispute concerning whether Canadian producers that sell barley in North Dakota are subject to the barley checkoff and are eligible for

a refund. He said that issue may need to be addressed during the next legislative session.

In response to a question from Representative Johnson, Mr. Mittleider said the Barley Council is working with various groups to find better testing procedures. He said the brewers are not willing to accept third-party testing.

In response to a question from Senator Mutch, Mr. Mittleider said testing of a sample of barley costs approximately $30. He said many elevators are expending large sums of money on testing.

In response to a question from Representative Mahoney, Mr. Mittleider said because the largest brewer in the United States uses one-half of the malting barley and has the lowest disease level tolerance, a large amount of barley that does not meet the standards of that brewer is available to the remaining brewers at discounted prices.

In response to a question from Senator O'Connell, Mr. Mittleider said the Barley Council usually spends 25 to 30 percent of its funds annually for research. Due to this disease problem, he said, the council spent approximately 40 percent of its annual budget for research last year.

In response to a question from Senator Mutch, Mr. Mittleider said the Agricultural Experiment Station has been very active in seeking to find barley varieties that are resistant to the disease. He said a barley technician has been hired through the Extension Service and funded by the Barley Council.

In response to a question from Representative Schmidt, Mr. Mittleider said almost all imports of barley are from Canada. However, he said, the European Union recently sold some feed barley in California. He said the effect of trade agreements will depend upon elimination of subsidies.

Chairman Mutch called on Senator Vern Thompson, Minnewaukan, for comments. Senator Thompson thanked Chairman Mutch and the committee for reserving time on the meeting agenda for discussion of this issue. He said the barley disease problem affects producers, elevators, and brewers. He said the state may be able to work with federal officials to develop uniform standards of measurement that are used throughout the industry. He said the discounts and the price paid for barley affected by the disease may be responsible for many barley producers not being able to stay in business. The long-term solution, he said, is to research and develop resistant varieties.

Senator Thompson said he believes the concern with the diseased barley began as a result of a brewer that uses two-row barley that is not susceptible to the disease. Therefore, he said, other brewers became concerned with the perception of using barley that may be diseased even though the levels of the disease are not a health concern.

Chairman Mutch called on Mr. Roger Johnson, Commissioner of Agriculture, for comments. Commissioner Johnson said the brewing industry appears to have imposed upon growers a requirement that cannot be accurately and consistently met. He said the sample methodologies and testing equipment are not able to measure at the level established by the brewers. At the completion of the sampling and testing study, he said, it is his hope that the brewers can be convinced to accept a level that can be consistently tested. A partnership with the federal government is needed to get a universal solution.

In response to a question from Representative Mahoney, Commissioner Johnson said producers cannot force the brewers to buy a commodity they do not want, but he hopes that brewers can be convinced that developing a uniform test is in their best interests.

In response to a question from Senator O'Connell, Commissioner Johnson said there needs to be a harmonization of standards for use of chemical products throughout the world. He said trade agreements generally address this, but other countries are using products that are prohibited in the United States by the Environmental Protection Agency.

Chairman Mutch called on Mr. Lance Gaebe, North Dakota Grain Growers Association, for comments. Mr. Gaebe said the Grain Growers Association has worked hard to seek a solution to the barley disease problem. He said there is a large price differential between malting and feed barley. He said brewers and malters will pay a premium for disease-free barley. Because North Dakota producers have had a good reputation for producing a high-quality barley, he said, the producers must seek to keep standards high. He said the Grain Growers Association is not in favor of reducing standards for disease in barley. He said the association will work with growers, handlers, and brewers to accept one test that accurately and uniformly measures the disease. He said the Experiment Station and Extension Service need funding to address the problems through different approaches.

In response to a question from Representative Froseth, Mr. Gaebe said even under ideal growing conditions, producers are still likely to experience disease infestation.

In response to a question from Senator Mutch, Mr. Gaebe said barley producers may need to change their focus to the feed market to provide better stability for the producers.

Chairman Mutch referred to correspondence sent to the chairman and the committee by Mr. Thomas J. Wrenn, Field Office Manager, United States Department of Agriculture Federal Grain Inspection Service. Mr. Wrenn thanked the chairman for the invitation to attend the meeting and stated that he was unable to attend due to deadlines for the sampling survey. He said the Grain Inspection Service is actively responding to producers' concerns regarding the disease and projects the completion date for the sampling survey to be in June.

Chairman Mutch also distributed to the committee copies of correspondence from Mr. Brad Haugeberg, President, North Dakota Grain Growers Association. Mr. Haugeberg indicated that the Grain Growers Association is participating in the sampling survey and hopes that the survey will produce a sampling method that is more consistent.

There being no further business, Chairman Mutch adjourned the meeting at 3:35 p.m.

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John D. Bjornson
Counsel

ATTACH:5