

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

14417

2001 HOUSE AGRICULTURE

HB 1417

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1417

House Agriculture Committee

Conference Committee

Hearing Date HB 1417

Tape Number	Side A	Side B	Meter #
THREE	A		880 TO 4991
Committee Clerk Signature <i>Edward D. Hynes</i>			

Minutes:

CHAIRMAN NICHOLAS: WE WILL OPEN THE HEARING ON HB 1417:

REPRESENTATIVE KEMPENICH: I am here today introducing hb 1417, which is a bill that I think has been needed for quite a while. Gives some direction as to what we need to do in the cattle industry. Try to get closer to the consumer dollars. It does give the industrial commission to issue bonds to build a meat packing plant. Futuristic thinking.

CHAIRMAN NICHOLAS: We will take all testimony before we open to questions.

ROGER JOHNSON: I am here to support this Bill. The state is not responsible for the Bonds. Income from the Bonds would be state exempt from state, municipal taxes. So there would be a slight break for those who would want to invest in these ventures. The state is not liable for bonds.

REPRESENTATIVE LEMIEUX: Roger, dose it bother you at all that the bonds are not guaranteed. Will these bonds be very marketable?

Page 2

House Agriculture Committee

Bill/Resolution Number HB ~~1474~~ 1417

Hearing Date 2--8--01

ROGER: Actually, being a member of the state industrial commission, it dose not concern me because it would not be a liability. I think that these bonds will be difficult to market. because of no state liability. None the less it is a tool that should be available for us in subsequent sessions to see how it works. We should go down this road.

CHAIRMAN NICHOLAS: Thank you Roger. Who would like to offer testimony.

T.J.RUSSELL: PRESIDENT OF CLOVERDALE FOODS;

I am glad to be here to testify. I think it comes down to a matter of courage as to hog raising. The state built the first elevator in 1921, think about 1911 what they had for facts to initialize the potential risk for that business. It is still here today and it is still working. For the state not to assume any roll in Agr. Business I just don't see it. There has to be a roll for the state to play.

Whether the bonds are backed by the state or guaranteed by the state, whether they build a plant and it is bought back at a purchase plan in the future. Something has to be done. My Dad has been talking about this for 20- years ago and so did my grandfather. Basically Mr. Russell states that risk is part of the future. We have to take risk in the Agr. Business.

Hog production should be well beyond our little plant in Minot. We are at the point now that we are hustling hogs out of Canada like we never have before. We should be spending \$75,000,00 with hog producers in the State of North Dakota. We have a hard time spending \$75,000.00 per week in ND. Someone has to make the move. Some one has to have the courage. I understand that Bill 1051 got tanked, so be it something has to be done.

CHAIRMAN NICHOLAS: What is the one thing that we could do.

RUSSELL: Capital Formation.

Page 3

House Agriculture Committee

Bill/Resolution Number HB ~~447~~ 1417

Hearing Date 2--8--01

CHAIRMAN NICHOLAS: We have been able to do it for Dakota Growers etc., why are we not able to do it for hogs. Usually if there is something that is profitable someone is willing to take the risk, why not hogs.

RUSSELL: I think that on the hog producing side, that industry has been beating down one to many times. I know what it is like to be in hock. Our company is no different then any other company. We have a 26 percent equity in our company.

CHAIRMAN NICHOLAS: We have the best basis on feed here. We should be very competitive. As to predicting hogs.

RUSSELL: 3/4's of our hogs are coming out of Canada right now.

LEMIEUX: I see the expansion of hog production in Manitoba. What have they done differently?

RUSSELL: Someone else could answer that better then I can.

CHAIRMAN NICHOLAS: Any one else wishing to offer support of 1417.

JOHN GRINFELDER...RANCHER: I currently represent Farm Beau on the Board of Directors of Dakota Beef. Dakota Beef has explored why Dakota Beef Failed and it was a lack of capitalization. We are now in the upswing of the ten year cattle cycle. When people become complacent during good times, we need something in place when economics turn against us.

A packing plant is the vehicle to do something positive. This Bill will make ND, thrive.

The bonds have to be backed by the state. There is very little risk to the state. QUESTIONS

REPRESENTATIVE LEMIEUX: Hog plant or Beef plant?

JOHN: I'd like to see both.

Page 4

House Agriculture Committee

Bill/Resolution Number HB ~~1471~~ 1417

Hearing Date 2--8--01

DON NORBY: REPRESENTING DAKOTA HERITAGE BEEF: Small cooperative from North and South Dakota. We just finished running a test market on a premium Beef line in the Bismarck-Mandan and Black Hills area. I am a rancher from SW ND, and have been heavily involved in this business that our group has. The results of our test market is that we were able to receive about 25 percent more than the normal pricing of beef, in this area. The consumer is willing to pay a premium to get good products. The pitfall was that the processing took all of the 25 percent premium. We did not realize our profit. I am here to support 1417. We want to develop processing closer to home. The main cost that we ran into was affordable processing costs. We tried to find a processing plant to do it the way we wanted. The small plants were the only ones that we could find to do the processing. The large plants were not interested. We need capitalization. Most of our capital is tied up in our own operations. State of ND should make the capital available. I hope that the committee has the courage to pass this bill.

CHAIRMAN NICHOLAS: NEXT TESTIMONY:

WARREN WINIECKIN *[[spelling]]* I am a rancher. We buy cattle and finish the feeding. We do a lot of consulting. Adding profit to my operation is to cut shipping costs. We average thirty five dollars a head to move the cattle. I'd rather take that 35 dollars and invest it in a packing plant. We have high quality cattle. The feed to other states also come from ND. We have the experience to make this work. We do need help as to this Bill. WE have cattle to meet the niche market or table cloth market.

CHAIRMAN NICHOLAS: ANY ADDITIONAL TESTIMONY ON THIS BILL.

RICHARD BOWMAN, DAKOTA PRAIRIE BEEF. We are looking at ways to finish these

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House Agriculture Committee

Bill/Resolution Number HB ~~1471~~ 1417

Hearing Date 2--8--01

beef. We export our cheap beef and cheap feed. We have a feeder lot in the Gascoyn, ND area. It is very expensive to to build these projects. The only way we can access money is through farmer owned cooperatives. We had to come up with about \$60.00 per head. A packing plant cost in the neighborhood of a million and half, to build. A processing facility we are going to be looking at between 10 and 20 time that amount. It is very prohibitive for most people to participate in that kind of a project. Our operation is about 9000 head of cattle. Within a year or two at this same location we can bump that to 20,000 at the same location without a great deal of more cost. In the state of ND, this would increase potential income to ND.

CHAIRMAN NICHOLAS: What is your basis to your kill plant from your feeder lot?

BOWMAN: Right now I's say we are taking about 530 miles from Ft Morgan and that is where the first cattle went. Those cattle were sold live. They paid all the freight and everything. The bottom line is we took about a cent and a half to two cents under what being paid in NEB, AND WYOMING. On the same day.

NICHOLAS: So your discount to the board basically is a cent and a half plus the freight. Buck and a half discount. The reason that I asked that question committee members is that if you could get board basis here in ND. at a plant plus save the freight plus the other guy pays the freight out for the finished product that is \$25.00 per head.

COMMITTEE MEMBERS I KNOW WE RAN A LITTLE BIT BEHIND TIME:

WE WILL CLOSE ON HB 1471. 1A:4991

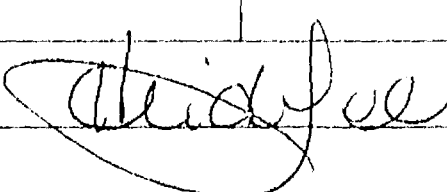
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1417

House Agriculture Committee

Conference Committee

Hearing Date Feb. 8, 2001

Tape Number	Side A	Side B	Meter #
3	X		6.6-48.5
Committee Clerk Signature 			

Minutes:

Rep Keith Kempenich: **Sponsoring Bill.**

Roger Johnson: **Written testimony in support of bill.**

T.J. Russel: *Pres. Cloverdale Foods.* There has to be roll here for the state to play. Hog production needs to be larger, because it's so small we go to Canada. Someone has to make a move. We have the chance, now let's expand .

Don Norby: **Written testimony in support.**

Lauren: We are paying \$35 per head to move cattle to market. If we had a packing plant here we would not have to move to another state for slaughter.

Chairman Nicholas: Close the hearing.



2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1417

House Agriculture Committee

Conference Committee

Hearing Date February 15, 2001

Tape Number	Side A	Side B	Meter #
1	x		1115 to 1629
Committee Clerk Signature <i>Edward D. Elbert</i>			

Minutes:

Chairman Nicholas: Let's go to HB 1417. That is a program that would increase the revenue bonds to establish a meat packing plant, so what are the wishes on HB 1417?

Vice Chair Johnson: I make a motion for a Do Pass.

Rep. Koppang: I second.

Chairman Nicholas: Is there any discussion on HB 1417?

Rep. Lemieux: I think having the opportunity to bond is a grand idea to facilitate in establishing some processing facilities in ND. The only regrets I have in here is we don't have the state matching the funds. I do speak in favor of the Do Pass.

Rep. Berg: I can't imagine anyone is going to buy the bond. I don't think it will work. I think a meat packing plant is tied into a primary sector which should receive money from development funds and investment tax credits, there are a lot of vehicles out there that certainly this would be an ideal business for them to jump on.

Chairman Nicholas: There are things though with rural development, programs that are guaranteed to be brought in. Maybe it could be used in that way, there are ways that these things can be made to work. The other thing that could happen is if there was momentum put in place to establish a project like this and a plant could be built. Sometimes there are leases that could be put in place with other food processing companies. There are other mechanisms out there that could probably make these things work.

Rep. Berg: Are these bonds just for meat packing? Just a meat packing plant.

Rep. Lemieux: The rural development doesn't always do their own destinations. Sometimes it doesn't come under rural development. I am not sure if this one does. You get participation from the local level, it provides tools and vehicles on a local level. I think it provides a vehicle. We got to get it out there to find out.

Rep. Berg: The way it could work is if it was a project and then you sold bonds under this chapter for that particular project. You don't have the project to go out and sell bonds, no one is going to buy it. I guess that is the question? What does it cover? Maybe it should be stopped. I don't have any major problem with this bill but maybe we should expand it? Beyond meat packing.

Chairman Nicholas: Well, we decided to expand it with our counterparts in the Senate, we just want to get rid of it. Any further discussion. The Clerk will take the roll.

**MOTION FOR A DO PASS**

**YES 12 NO, 0**

**3 ABSENT AND NOT VOTING**

**CARRIED BY REP. LEMIEUX**

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/23/2001

Bill/Resolution No.: HB 1417

Amendment to:

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Appropriations</b>	\$0	\$0	\$0	\$0	\$0	\$0

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

In consultation with the Bank of North Dakota staff, we do not believe there would be any additional fiscal impact for administering the loan program outlined on Page 2 of HB 1417. Any loans provided per this legislation could be absorbed within the Bank's current loan operations.

The bill also proposes that any costs incurred in selling the bonds or evidences of indebtedness would be included in the bond proceeds. So, again, we do not believe there would be an out-of-pocket fiscal impact to the Commission. However, there would be substantial staff time to structure and complete a bond issue.

The more significant question is whether these bonds or evidences of indebtedness would be marketable without some form of credit enhancement such as bond insurance or State or Federal backing. Lines 8, 9 and 10 on Page 4 state that neither the faith or the credit nor the taxing power of the state is pledged to the payment of the principal of or interest on the bonds. This would appear to eliminate the State from providing any backing for these bonds. With respect to bond insurance, it is questionable whether an insurer would offer insurance without State involvement such as a moral obligation pledge to appropriate any amounts needed for debt service from an identified revenue source. Again, as stated above, with the language on page 4, it appears that the State could not provide any moral obligation pledge to appropriate funds.

If the Bank of North Dakota would be asked to provide a letter of credit for bonds issued per this law, the fiscal impact would be the credit risk the Bank would incur. Without knowing how many or the dollar amount needed for the meatpacking plants contemplated by this legislation, we are unable to determine the

fiscal impact to the Bank.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

<b>Name:</b>	Karlene K. Fine	<b>Agency:</b>	Industrial Commission
<b>Phone Number:</b>	328-3722	<b>Date Prepared:</b>	02/07/2001

2-15-01

Date:  
Roll Call Vote #:

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1731417

House AGRICULTURE Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DO PASS

Motion Made By J. Johnson Seconded By Lemieux

Representatives	Yes	No	Representatives	Yes	No
Eugene Nicholas, Chairman	✓		Rod Froelich		
Dennis E. Johnson - Vice Chairman	✓		Doug Lemieux	✓	
Rick Berg	✓		Philip Mueller	✓	
Michael Brandenburg			Kenton Onstad	✓	
Joyce Kingsbury	✓		Sally M. Slandvig	✓	
Myron Koppang	✓		Dennis J. Renner	✓	
Edward H. Lloyd			Dwight Wrangham	✓	
Bill Pietsch	✓				

Total (Yes) 12 No 3

Absent \_\_\_\_\_

Floor Assignment Lemieux

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
February 15, 2001 2:17 p.m.

Module No: HR-27-3555  
Carrier: Lemieux  
insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1417: Agriculture Committee (Rep. Nicholas, Chairman) recommends DO PASS**  
(12 YEAS, 03 NAYS, ABSENT AND NOT VOTING). HB 1417 was placed on the  
Eleventh order on the calendar.

2001 SENATE AGRICULTURE

HB 1417

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1417

Senate Agriculture Committee

Conference Committee

Hearing Date March 15, 2001

Tape Number	Side A	Side B	Meter #
March 15 1	X		21.8 - 50.0
March 22 2	X		4.0 - 11.8
Committee Clerk Signature <i>Roy J. Haberman</i>			

Minutes:

REP. KEMPENICH; Sponsor, introduced the bill to the committee.

SENATOR NICHOLS; Will there be local lenders in on this or will it just be the Bank of North Dakota?

REP. KEMPENICH; I envision that there will be local investors involved and local financial institutions.

SENATOR WANZEK; If most of the funds would be used to make loans to facilities, or is there any chance of it being an equity investment?

REP. KEMPENICH; It would be a lease purchase type, they would want to own it in the end.

ROGER JOHNSON; Agriculture Commissioner, testified in support of this bill. See attached testimony.



Page 2

Senate Agriculture Committee

Bill/Resolution Number HB 1417

Hearing Date March 15, 2001

SENATOR WANZEK; Will the funds procured from the bonds be used to lend to private investors who will then invest in the establishment of a meat packing plant. Its not necessary funds that would be loaned directly to the plant?

ROGER JOHNSON; It can be both.

DWIGHT ENOCKSON; ND Corn Growers and Cloverdale Growers Assoc., testified in support of the concept and ideas behind this bill. This bill is a tool to help animal agriculture in North Dakota.

GLENN GIESE; Dakota Prairie Beef, testified in support of this bill.

RICHARD SCHLOSSER; ND Farmers Union, testified in support of this bill.

SENATOR KLEIN; Is this bill is similar to a bill that the Governor vetoed last session?

RICHARD SCHLOSSER; I think the mechanism in here is similar, I think this bill is targeted particularly to livestock slaughter facilities.

PATTY LOUIS; ND Farm Bureau, testified in support of the concept of this bill.

WADE MOSER; ND Stockmen's Assoc., testified in support of this bill. If there is an opportunity to build a smaller plant this may be the vehicle that will do it. We often here of problems just infrastructure that it takes just to run such a huge plant and sometimes we need to back down and look at smaller ones, in smaller communities.

The hearing was closed.

March 22, 2001 - Discussion was held.

SENATOR KLEIN moved for a DO PASS.

SENATOR KROEPLIN seconded the motion.

Roll call vote: 6 Yeas, 0 No, 0 Absent and Not voting.

SENATOR NICHOLS will carry the bill.

Date: 3-22-01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1417

Senate Agriculture Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Sen. Klein Seconded By Sen. Kroepflin

Senators	Yes	No	Senators	Yes	No
Senator Wanzek - Chairman	✓		Senator Kroepflin	✓	
Senator Erbele - Vice Chairman	✓		Senator Nichols	✓	
Senator Klein	✓				
Senator Urlacher	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Senator Nichols

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
March 22, 2001 1:31 p.m.

Module No: SR-50-6418  
Carrier: Nichols  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**HB 1417: Agriculture Committee (Sen. Wanzek, Chairman) recommends DO PASS**  
(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1417 was placed on the  
Fourteenth order on the calendar.

2001 TESTIMONY

HB 1417

TO: ND HOUSE AGRICULTURE COMMITTEE  
February 8, 2001

Re: TESTIMONY FOR HB 1417

Dakota Heritage Beef is a small ND closed cooperative of ranchers from North and South Dakota who are marketing a premium beef product line in the Bismarck-Mandan and Black Hills areas. Thanks to a ND APUC marketing grant our cooperative was able to define, produce and test market a beef product line which was rated superior to current commodity beef by over 92% of our customers. Dakota Heritage Beef's long term vision is that of a beef producer owned vertically integrated beef company that uses a systems approach to market beef products that meet the consumers needs and yet provide a stable, higher profit to the producer than the current commodity system. We believe that HB 1417 will be a powerful tool for ranchers to realize this vision. Below are a number of obstacles that Dakota Heritage Beef encountered in marketing our beef product line and how HB 1417 could help eliminate them.

1. **An affordable beef processing facility :** It was very difficult to find a processing plant that could kill and fabricate our cattle under our specifications and at a cost effective rate. Our processing costs were three times higher than traditional commodity rates, mainly due to the fact we received no offal drop credits( including hide value) and because using smaller facilities economies of scale were lost. HB 1417 would set in place an opportunity for producers to develop and build a beef processing facility with enough size and scale to lower our production costs and make our beef products more affordable to the consumer and yet maintain the added profit goals.
2. **Capitalization for the Beef Producer :** One of the main problems encountered by Northern Plains Premium Beef and Dakota Heritage Beef has been the inability of ranchers to raise enough capital build our own processing facilities. This has been due to the nature of the ranching business where as ranchers our capital is tied up in our operations and to come up with additional capital for a value added venture means added debt and risk. HB 1417 again would be a great help to beef producers in the fact, that it establishes a means by which we can gain access to additional capital.
3. **Shared Risk for the Beef Producer :** As with any valued added venture there is high risk entering the market place with new products. Dakota Heritage Beef's business plan of starting first at the marketing place in defining and introducing a beef produce line and then working backwards using alliances with established meat companies (i.e. Cloverdale Foods, Inc.) to continue developing markets as we work establish more affordable processing greatly reduces our risk in the market place. HB 1417 begins the process where the state of North Dakota can begin to establish partnerships between the state and its beef producers to lower risk further as we pursue our vision of a producer owned beef marketing company.

On behalf of Dakota Heritage Beef, I commend the North Dakota State House of Representative's Agricultural Committee for the vision you have demonstrated in introducing HB 1417 and we strongly recommend a do pass recommendation on this bill and begin to assist Dakota Heritage Beef and similar groups reach our vision of a more profitable, sustainable beef production system in rural communities.

Respectfully submitted by,

Donald J. Nordby, Director  
Dakota Heritage Beef  
Amidon, ND

COMMISSIONER OF AGRICULTURE  
ROGER JOHNSON



HB # 1417

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DEPARTMENT OF AGRICULTURE  
State of North Dakota  
600 E. Boulevard Ave. Dept. 602  
Bismarck, ND 58505-0020

**Testimony of Roger Johnson  
Agriculture Commissioner  
House Bill 1417  
House Agriculture Committee  
Peace Garden Room  
February 8, 2001**

---

Chairman Nicholas and members of the House Agriculture Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of HB 1417, which establishes a loan program and gives the Industrial Commission authority to issue revenue bonds for the establishment of meatpacking plants in North Dakota.

Animal agriculture is a very important part of North Dakota's agricultural economy. According to the North Dakota Agricultural Statistics Service, our current cattle inventory sits at 1.98 million head. Our livestock industry has great potential to increase the value of its existing product.

I believe that we need to expand animal agriculture in this state and work to capitalize on new opportunities through identity preservation, feeding and finishing, and slaughter. HB 1417 also coincides with an objective of the Commission on the Future of Agriculture (COFA) "to develop

and implement an aggressive plan for increasing animal agriculture within the state." This legislation provides for one of the tools needed to move in this direction.

This bill provides the opportunity to further develop livestock value-added opportunities in North Dakota. HB 1417 does not provide for the establishment of a state-owned meatpacking plant, rather it provides an opportunity for borrowers to make investments in private meatpacking plant ventures. The income from the bonds would be exempt from state and municipal taxes. The State of North Dakota would not be liable for the bonds; the purchasers (local investors) would carry the risk.

Chairman Nicholas and committee members, this legislation would create one more tool to further develop livestock opportunities in the state. I ask for your favorable consideration of HB 1417, and I would be happy to answer any questions you may have.

1111 1111 /

FREE

# the Greeter

January, 1987

Bismarck-Mandan's City Magazine



**Don Russell**

Talks of success  
in our own backyard.

Columnist •••• Maps •••• Events •••• Bus & Airline Schedules ••••  
 •••• Restaurant Guide •••• Health & Wellness Section ••••



# The Greeter

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## Don Russell... "Our biggest factory is our farmers."

**D**on Russell is the third generation of Russells to be president of Cloverdale Foods Company. His grandfather started the business as Mandan Creamery and Produce Company early in this century. When Don's father, Bill, took over the president's chair he moved the company into meat processing. Succeeding his father in 1974, Don guided Cloverdale into more diversity and the company's products spread from Wisconsin to Washington state.

As it has before, even during bad economic times, Cloverdale is growing—a new, modern processing plant is now being built north of Mandan. This strength and success of the family business puts Russell in a unique position to talk about what food processing can do for North Dakota.

**"Going broke has never scared me, but I'd rather do it because of my own stupidity than because of regulations."**

He offers suggestions for specific projects and talks of other ways to strengthen North Dakota's economy.

Russell's main contention, that all others are based upon, is, "Our future is dependent on agriculture as much as our past was. I'll guarantee nobody can change that."

He also realizes, "Our biggest factory in the state is the farmer and we have to figure a way to work with him."

Because Cloverdale depends on farmer-producers for raw products, for years Russell has been working to assist farmers.



*"Don Russell (above) and Cloverdale Foods Company have been an integral part of Mandan for a long time," says Mandan Chamber of Commerce Executive Dave McIver. "He never stops looking for growth and isn't scared to take risks. We can't measure the impact his contributions have had on Mandan." Cloverdale's new plant now being built could mean 200 new jobs for Mandan. City Commissioner Ed Gerhardt says, "That's the morale boost we need after the negative of recent past."*

"We're working on development programs in tandem with the state Department of Agriculture, with the state Economic Development Commission, the local county agents, the feed companies, right on down the line."

The most current, and crucial, "development program" is helping farmers get into hog raising because North Dakota does not produce enough to fill Cloverdale's needs.

"Our packing plant in Minot produces about 40 percent of our pork needs. In the past we've killed at the rate of about 1,500 hogs

a week. Our source for about 60 percent of the hogs has been Saskatchewan and Manitoba, Canada."

Russell doesn't like that situation. He says the plant's current rate of live hog purchases returns \$75,000 to North Dakota's ag economy each week. The plant has the capacity to double its production to 3,000 hogs per week and return \$75,000 per day to the state.

In addition to the money paid to producers, Russell says, "If we did the proper expansion of our Minot plant we could justify 80 to

*Continued on page 4*



Terry Rockstad, president of Dan's Super Market, Inc. of Bismarck, says, "North Dakota has a trade deficit with the rest of the country, even though we can ship our products to where the markets are." Don Russell (above) says Cloverdale Foods has been doing that for years with its own fleet of trucks. That helps keep jobs here and create new ones. "Cloverdale has been creating jobs and new products for so long, it's not new to them," says Rockstad.

duction in the state by putting together some assistance programs; we're looking at getting into contract feeding; we're looking at offering a guarantee program; we're looking at joint-venturing with other companies that have a vested interest."

Russell says, "For the farmer, producing hogs, as a rule, has been a very profitable venture. So the upside, not only for us as a company but also for the ag producer, is excellent."

**"When it comes to shooting yourself in the foot, we in North Dakota are probably the most professional at it in the union."**

Others might see this as a government task, but when it comes to helping the producers and the state, Russell says, "That's just part of what we're all about. I don't think everything a company does has to be profit motivated."

"I don't know whether it is or isn't our job," Russell admits. He adds, "If we can pull it off, and it works and is good for the producer, Cloverdale is going to

*Continued on page 6*

100 jobs." At present the plant employs 25 people directly, and about 40 indirectly—drivers, sales people, warehouse and administrative personnel.

"We can't do that without raw product," says Russell. "Today the problem is whether or not the producer is able to get funding."

"We've been working on trying to expand hog pro-



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Don Russell Pork Sausage isn't just to placate Russell's ego; it's his way of returning something to this state and create jobs in this area. Myron Atkinson, past chairman of the Bismarck Development Association, likes that because, he says, "It's far easier to keep jobs here than to replace jobs lost." Russell also keeps the corporate headquarters here, although he says, "It could be located anywhere there's a phone, a computer and a teletype. It just happens to be convenient for us today to be here."

benefit from developing some long-term relationships with our producer group."

Following their pres-

ident's lead, Cloverdale's management team recently established a corporate policy, "To develop the techniques to further process farm produced commodities, to support Dakota ag producers and processors and to assist in developing other markets for them."

But, Russell says, "Ship-

ping animals in from Canada defeats the purpose of developing our own ag base."

He gives this example of how processors can help producers and improve the state's economy:

"If we could take 20 farmers, say in the Stanley, North Dakota, area, and put them to work feeding hogs, that has to have a positive effect on every merchant in

### "I think it's more ATTITUDE than anything."

that town and also, probably, allows for some new business opportunities within that area."

The development and expansion of Cloverdale isn't the only project Russell can see for the future.

"The fantastic amount of fine opportunities in place within the state need to be expanded and developed," he believes.

Following are some of the things he thinks the government or private industry should develop to help our state.

"North Dakota is the seventh largest cheese producer in the nation, producing in excess of a million pounds per week, yet our consumer pack-off is virtually non-existent. Consumer pack-off (packaging the product for consumer use) is where the real factory jobs are.

"I believe we're the largest producer of dry edible beans, and again we have no consumer pack-off. Yet most of that product goes to the consumer market in some way, shape or form.

"Western North Dakota is one of the biggest marketers

of cows for kill yet we do not have a respectable cow kill-plant.

"Our turkey producers are within 80 percent of justifying their own kill facility; we should have a turkey kill-plant in Jamestown."

Meat production and processing in North Dakota should definitely be promoted, Russell says, because "North Dakota has one of the lowest feed costs in the nation. Minnesota has one of the highest and when we drive through that state we see a lot of turkey sheds. Those plants employ people."

"Anytime some value is added (as is done in processing) to a raw product (like live animals), jobs and new net worth can be created," says Terry Rockstad, President of Dan's Super Market, Inc., and Second Vice Chairman of Pride of Dakota, a state Department of Agriculture advisory council for the promotion of North Dakota products.

### "We have to get lean and mean and fight back."

Processing plants directly employ workers and also contribute to the economy indirectly by what's known as the job multiplier affect. In a nutshell, that means other jobs—in transportation, sales, administration, banking, retail etc.—are created to deal with the processed product and with the new wealth of the plant workers.

To document this economic effect, the North Dakota State University in Fargo did a study to show job rollover based on the

*Continued on page 11*

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The Christmas boxes Don Russell (above) is so excited about were created by Cloverdale's marketing director. "The only thing a company has that's worth anything is the people," Russell says. "Cloverdale has certainly had its hills and valleys in business, but in my opinion we have an excellent management team. We have one rule here: we just want to recruit honest people; everything else—good or bad—we will teach them."

development of a small animal-slaughter facility in the state.

"Animal slaughter had the highest job multiplier affect, something like 4.74," says Russell. "Food processing was the second highest with something like 4.54." (The numbers given here are meant for comparison and illustration only. Editor)

Russell points out, "When a move is made away from agriculture, the job multiplier affect in the marketplace substantially comes down. In other words, we will get a higher level of multiplication working with animal-slaughter and processing

opportunities as opposed to a telecommunications network with a multiplier effect of 1.94 or 2.2."

Russell hastens to add, "That doesn't mean we don't want the telecommunications, but we've got a source, an agricultural basis, to work with already. And it has a real high positive affect on the service sector. It's in place, it's out in the country, let's develop it."

"Pulling our state out of its present economic situation," Russell insists, "is going to take a combination of production and processing. There's a parallel relationship. Unless you have that producer base, processing's

not going to cut it."

But sales of processed food has the advantage of bringing in money from outside of our state.

As Russell says, "More than 60 percent of Cloverdale's meat, whether in the form of commodities or as processed product, is sold in other states because they've got the people numbers."

"We look at that as new money and opportunities within the state and our agriculture sector."

The impact of this "new money" is revealed in statistics from a 1984 study done by the U.S. Chamber of Commerce. The following figures come from Dave McIver, Mandan Chamber of Commerce executive.

**"Competing is probably a frame of mind more than anything else."**

**What 100 New Manufacturing (Processing) Jobs Mean to a Community:**

- New personal income \$2 million
- New retail businesses—7
- Retail sales increase \$1.5 million
- New non-manufacturing jobs—64
- Population increase 202 people
- Family units increase 101 families
- School enrollment increases—61 students
- Those figures can be doubled for an indication of

the potential impact of Cloverdale's new facility in north Mandan.

The 52,000 square foot building, scheduled for completion in June 1987, will house Cloverdale's processing plant. The expanded production possible in this facility should employ an additional 200 people. Russell thinks this number should be reached in five or six years.

According to Mandan City Commissioner Ed Gerhardt, who carries the Finance portfolio, "Cloverdale's expansion is exactly the type of project the Municipal Industrial Development Act (MIDA) bonds were intended for—economic development."

"There was no hesitation on the part of the city commission to approve the MIDA bonds because the project will create jobs and

*Continued on page 13*

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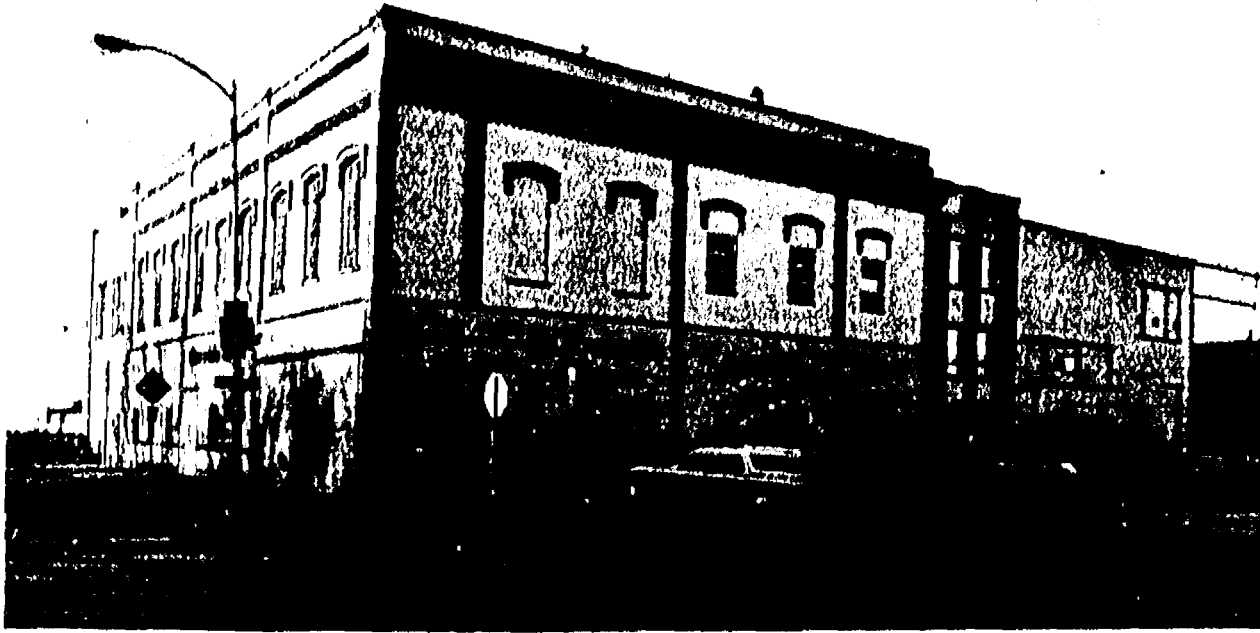
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*This summer Cloverdale vacates this old building (left) that's served so well for about 60 years. Mandan City Commissioner Ed Gerhardt says, "This couldn't have happened at a better time. The vacated site is next to the Supervalu store and the contemplated shopping mall." Cloverdale president Don Russell is excited about building a new plant, but adds, "When you make long term investments in facilities, time will tell if you're a good or bad planner, and that's the risk element."*

expansion of this home-grown industry won't infringe on any local competition."

Cloverdale doesn't have any local competition now, but many in this area would like to see that changed, not because they have something against Cloverdale, but because food processing means new money to the area.

**Russell laughs and says Cloverdale keeps growing because, "I think all of us in management run scared damn near every day."**

Myron Atkinson, Bismarck attorney, real estate developer, president of The Atkinson Company and immediate past chairman of the Bismarck Development Association, says, "In the BDA we identified food processing as one of the highest priorities for types of businesses to pursue.

"The raw material is here; the labor force has a reputation for being excellent working people; and we have reasonably good transportation."

The issue of the quality and quantity of transporta-

tion in Bismarck-Mandan is often debated. Don Russell thinks there is plenty of the proper type of transportation; as he sees it, at issue is the proper use of what we have.

"About a year ago," Russell says, "a newspaper article identified the different problems associated with economic development in this area. Transportation was identified as being the number 1 or number 2 problem. That is really

wrong, wrong.

"We are a net consumer of durable goods." Russell maintains, "Hundreds of trucks come into this state delivering those goods so there's already a transportation system in place."

The transportation problem Russell sees is, "those trucks do not have an economic backhaul"—products that can be hauled back to the truckers's starting points.

Atkinson says, "Shipping

of finished products is not a major cost factor."

Russell adds, "I'd rather ship the processed meat than live animals.

"I think problem number 9, 10 or 11 in the article was capital formation," Russell says. "I've had a fair amount of exposure on that issue and I identify our abilities—or inabilities—to do capital formation as our most critical problem."

When it comes to the pro-  
*Continued on page 22*



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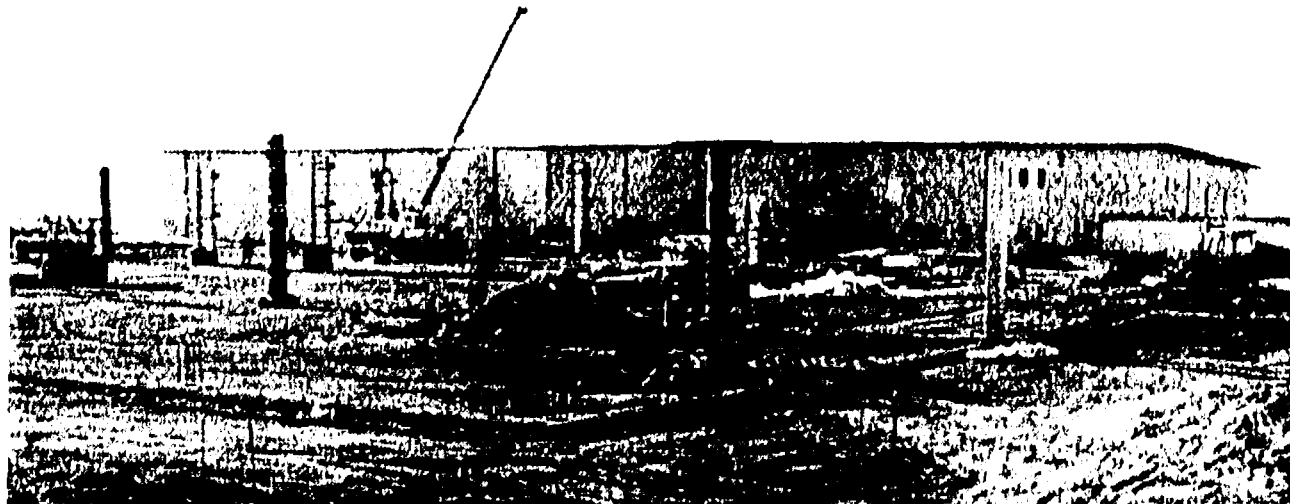
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Speaking of Cloverdale's new building under construction (right), Mandan City Commissioner Ed Gerhardt says, "This is the best kind of progress. When someone comes in from outside, you ask 'What's the guy going to do?' With a local person you have a better idea that he'll do what he says." Cloverdale's president Don Russell says, "The new facility allows us to expand and do some line extensions and take care of deficiencies that presently exist."



per use of money, Russell has two ideas for North Dakota. One idea is a new way to look at the state's cities and counties; the other is an old way of managing farms.

His first idea seems to strike at that elusive 'quality of life' many North Dakotans treasure, but in fact, Russell hopes to preserve as much of that as possible by judicious use of our resources.

He says, "I think the smaller states, such as ours, are going to have to look at some mass consolidation merging cities, counties, agencies, right on down the line."

Russell knows this isn't a

popular idea, and he thinks he knows why. "I think we're very provincial," he says. "Everybody likes to protect their own turf."

He believes the problem is "more attitude than anything. Most people aren't heavy duty risk takers. North Dakota business people probably spend more time being fearful about what's going on over at the neighbors."

But, he maintains, that attitude is not going to get us anywhere or help us use our funds more efficiently. Looking back to our past, we can find lessons for today, he says.

"We can go back to at least the 1930s; our state really has not changed in 50 years. The big towns have gotten bigger and the small towns have either stagnated, consolidated or died. That's history.

"If we maintain ourselves in the posture we're in today—the same as it's been

for 50 years—we'll see the same types of consolidations going on."

As an addendum, Russell says, "The other side of it is, we've not many more than 650,000 people and it

### "Usually when somebody says 'Can't' it triggers a bell in me."

doesn't look like that's going to change unless we do something about it."

The big question is what to do and how to do it. Russell takes a hard line on this.

"We have to challenge the system," he says. "We have to be open minded and imaginative enough to look at the system not as it exists but how it could be if we could go in and reorganize it.

"We have to ask ourselves a lot of challenging questions: How can we redo the system? Should cities and counties merge? Do Bismarck and Mandan need two city governments? Do the cities and counties combined need two sheriff's departments and two city law enforcement agencies? Do we need two court systems and two county superintendents of schools?"

There's no doubt in Russell's mind that similar consolidations could take

place all over the state, and must be done soon.

"We have to get lean and mean and fight back," he believes. And, in his opinion, "Most of the time, it's ourself we're fighting."

In other words, he says, "When it comes to shooting yourself in the foot, North Dakota is probably the most professional at it in the union."

Although he believes reorganization, consolidation or mergers are necessary, he also maintains, "It's got to be good for everybody. There has to be fair play."

Russell's second idea deals with farming, but before explaining it, he goes on record against the government's artificial price supports.

"If necessary, keep them for the producer to guarantee him a price," he says, "but let the retailers compete in the marketplace. Going broke has never scared me, but I'd rather do it because of my own stupidity than because of regulations."

His idea for moving North Dakota forward economically is to "take a look at agriculture and get back to the basics. That might mean being a little bit of everything."

He's talking diversification—an idea that's helped

*Continued on page 24*



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Approximately 35,000 members now participate in chapters in each state in our country plus nine Canadian provinces, Australia, England, Scotland, Sweden, the Netherlands, Japan, New Zealand and the Republic of Panama.

Sweet Adelines sing four-part barbershop harmony with a lead (the melody), a tenor (upper harmony), baritone (lower harmony) and bass (the lowest voice). Even the foreign chapters are required to sing in American English, and the only instrument used is a pitch pipe to get the starting notes.

The International organization stresses education, so all members have the opportunity to progress vocally, administratively or personally at their own speed. Various classes are available to teach vocal production, stage presence, administration of a musical group, directing a musical group, choreography, staging and much more.

Once a year each chapter's growth is measured in competition held in each of the 26 states in the world. Each chorus performs two songs and is judged on sound, music, interpretation and showmanship. Chapters winning at region contests advance to the international level.

This area is in Region #6, consisting of chapters in North Dakota, parts of South Dakota, Minnesota, Montana, and Ontario and Manitoba in Canada. The Bismarck-Mandan chapter currently has three members active at the regional level.

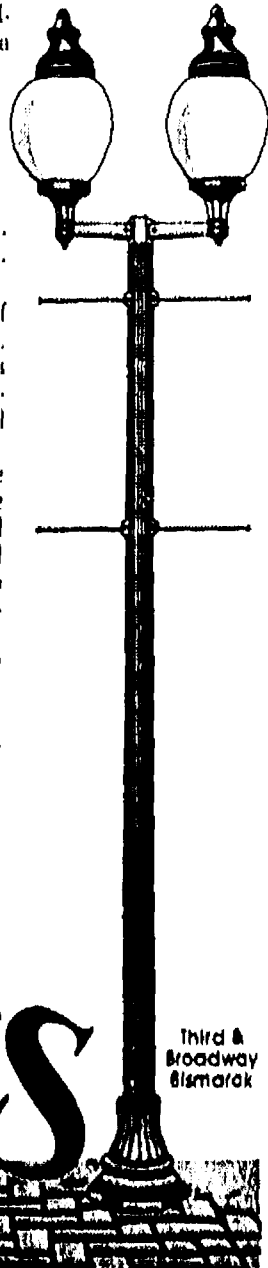
The 36 members in the local chapter rehearse every Tuesday at 7:30 p.m. in the Lord of Life Church on North 26th Street in Bismarck. All women are invited to visit the rehearsals and schedule an audition. The organization places no restrictions on economic status, race or nationality, but the singers must be 18 or older.

In our communities Sweet Adelines are very active. In December they were Christmas caroling; they've performed at nursing homes, schools, civic functions and can be contracted to perform.

"Putting on the Ritz" is the theme of this year's annual show, performed in the Bismarck City Auditorium, February 2nd at 3 p.m. Advance tickets are \$5 and can be purchased from any local member. On the night of the show, tickets at the door cost \$6.

# Logans

on third



Cloverdale stay viable and even grow in the tough times.

"We operate a slaughter house, a processing plant, a distribution company and a transportation company. That's a good marriage. There are times when one part of the business is doing fairly well and the other side might be struggling for position.

**"If this were a dictatorship, I would adopt the most liberal laws of the land and hang a sign out 'Let the buyer beware.'"**

"We recognize we do not maximize our profitability this way, but we certainly maximize our flexibility and we also think it offers us some stability."

As an example of diversification and growth, Russell tells of Cloverdale's history and development.

"In 1972 we had a small food service business selling frozen foods, produce, canned goods, paper products, coffee, chemicals and such to hotels, restaurants, hospitals and schools. Meat processing, at that time, was relatively insignificant; the dairy in Dickinson was a substantial investment.

"In 1975 we sold the dairy and concentrated on food distribution and sales of processed meat products. The western two-thirds of North Dakota was our primary market; we have since gone to other states—from Wisconsin to Washington.

"In 1979 we put up the first building of the distribution center and moved our offices in there, too. The downtown property (the company's main building for about 60 years) was turned into 100 percent plant facility for processing. I didn't think we'd outgrow

that facility in my lifetime.

"The downtown plant has about 70,000 square feet on three levels and we're replacing it with 52,000 square feet in the building we're constructing next to the distribution center.

"The difference is, maybe half of the space in the old building is usable for processing, and in the new building all the space will be usable so physically we're going to have a smaller building with a bigger plant."

From that point, Russell says, Cloverdale takes 70 or 80 different manufactured items and presents them in 200 different ways.

It's not well known Cloverdale produces that much because a good portion of their business is not seen by most people. The food service business, explained above, "probably represents 40 percent of our market," Russell says.

Another side of the company few people see is the industrial processing—making products other companies make into something else, like sandwich companies. This represents 15 percent of Cloverdale's business.

The retail consumer market makes up 40 to 45 percent of the company's business. "Without a doubt we get the most recognition from our tangy summer sausage," Russell says.

**"I think we've got to do some things even if they are wrong."**

He has recently started marketing a smoked pork sausage under his own name. "North Dakota's answer to Jimmy Dean's," he chuckles.

In addition to the plant in Mandan, the meat processing side of the business also has a plant in Mankato, Minnesota.

Continued on page 27

"It's a specialty products plant manufacturing products for other packers," Russell explains. "We think that'll grow into a nice business. It gives us a location into other markets we want to service, and I'm sure someday we will. The Chicao market is certainly closer to Mankato than Mandan."

Another aspect of the business is animal slaughtering, as done at the Minot plant.

And, finally, a subsidiary of Cloverdale is Fleet Service, predominately doing repair and maintenance on the company's fleet. It also functions as a truck shop and performs similar services for other companies.

"It specializes in transport refrigeration, something we need, and a few other people in the marketplace also need it so we service their fleets, too," Russell says.

Connected to Fleet Service is the transportation company functioning as an irregular route common carrier. Russell explains, "It does what we call long-haul services, delivering meat products and bringing other food products back into the distribution side of our business. It allows us some flexibility with management of our fleet because they don't have to travel designated routes."

Trucking is a vital part of Cloverdale's success because North Dakota itself doesn't have the people to support a business this size. Russell says the Bismarck-Mandan market has grown but that doesn't necessarily mean Cloverdale is selling any more product because

many of the people have moved here from smaller towns.

"We've got to go where people are," Russell says. "Our expansion is dictated by existing traffic links more than by sales opportunity. Our distribution division allows our trucking company to ship meat to markets and back-haul products to this market. We look for traffic balance.

"We're trying to position the company with strong regional marketing programs. The Wisconsin and Minnesota markets are very important to us today; the Twin City market is probably our weakest area in Minnesota.

"Other important markets for us today are Montana and Wyoming, the upper boot of Idaho and eastern Washington. And we look for the Denver and Seattle market areas to become very important.

**"We have one rule here: we just want to recruit honest people, everything else—good or bad—we will teach them."**

"Because those markets are metropolitan, they have good communication links with other metropolitan areas. The Kansas City market, for example, because of the communication networks built around it, opens virtually every market in the U.S. to us."

Russell says that market could be very important but it hasn't yet been research-

ed completely for traffic links and back-hauling possibilities.

On a lighter note, Russell says, "We try to position ourselves in markets where they don't really care what we're doing." The reasoning is if Cloverdale only goes after a small piece of a market, the big companies probably aren't going to try to shut them out.

"In my opinion," Russell chuckles, "if they wanted to kill us, they could do it in about six weeks."

But not even that can keep Russell and Cloverdale's management team from moving into a market.

"We were told often 'You can't go to Minneapolis and compete.' When I hear 'can't,' a bell goes off in me," says Russell. "My attitude is we'll go wherever we chose, then we'll worry about competition when we get there. Competing is probably a frame of mind more than anything else."

Even with all he has done and can do, Russell admits he needs help to implement many of his ideas for the good of North Dakota and its citizens.

"I have identified some things that can be done in the marketplace and people always say, 'Don, if the opportunities are there, why don't you do them?' The truth is I've got enough to do.

"We've developed a very strong business plan for our

company: where it's been where we want it to be and how we want it to get there. We want to participate and help wherever we can, but we also have to stick to our plan that says, 'you cannot take on more risk outside of the areas you're already involved in.'"

Don Russell says he's a risk taker "to a degree," but on second thought admits

**"Not being very smart and willing to give a lot of time are pretty much the only requirements to be in the food business."**

Cloverdale wouldn't be where it is if he and other previous and current managers weren't willing to take risks.

One message comes through loudest when talking to Russell. In North Dakota's backyard—in the pens, corrals and fields—are the raw products needed to improve the state's economic situation. What's needed is for all North Dakotans—legislators, business people and citizens—to answer the hard questions, make the changes necessary to make the state "lean and mean," and to take risks before the opportunities are gone.

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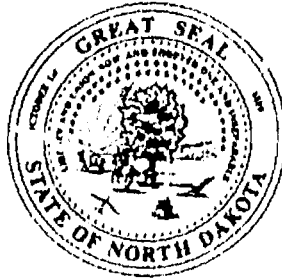
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**Testimony of Roger Johnson  
Agriculture Commissioner  
House Bill 1417  
Senate Agriculture Committee  
Roosevelt Park Room  
March 15, 2001**

---

Chairman Wanzek and members of the Senate Agriculture Committee. I am Agriculture Commissioner Roger Johnson. I am here today in support of HB 1417, which establishes a loan program and gives the Industrial Commission authority to issue revenue bonds for the establishment of meatpacking plants in North Dakota.

Animal agriculture is a very important part of North Dakota's agricultural economy. According to the North Dakota Agricultural Statistics Service, our current cattle inventory sits at 1.98 million head. Our livestock industry has great potential to increase the value of its existing product.

I believe that we need to expand animal agriculture in this state and work to capitalize on new opportunities through identity preservation, feeding and finishing, and slaughter. HB 1417 also coincides with an objective of the Commission on the Future of Agriculture (COFA) "to develop

and implement an aggressive plan for increasing animal agriculture within the state." This legislation provides for one of the tools needed to move in this direction.

This bill provides the opportunity to further develop livestock value-added opportunities in North Dakota. HB 1417 does not provide for the establishment of a state-owned meatpacking plant, rather it provides an opportunity for borrowers to make investments in private meatpacking plant ventures. The income from the bonds would be exempt from state and municipal taxes. The State of North Dakota would not be liable for the bonds; the purchasers (local investors) would carry the risk.

Chairman Wanzek and committee members, this legislation would create one more tool to further develop livestock opportunities in the state. I ask for your favorable consideration of HB 1417, and I would be happy to answer any questions you may have.