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10/3/03
Date

2003 HOUSE AGRICULTURE

HB 1396

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1396

House Agriculture Committee

Conference Committee

Hearing Date 1--31--02

Tape Number	Side A	Side B	Meter #
ONE	A		0.0 TO END
ONE		B	0.0 TO 1.3
Committee Clerk Signature <i>Edward D. Elford</i>			

Minutes:

CHAIR MAN NICHOLAS: We will open the hearing on HB 1396.

REPRESENTATIVE BRUSEGAARD: Mr. Chairman and members of committee. Today I would like to encourage your careful consideration and favorable consideration of HB 1396

{{{PLEASE SEE PRINTED TESTIMONY OF REP. BRUSEGAARD}}}

BRIAN KRAMER: Good morning Mr. Chairman and committee members. I am representing the 26,000 member family of North Dakota Farm Bureau. We support HB 1396.,

{{{PLEASE SEE PRINTED TESTIMONY OF BRIAN KRAMER}}}

CHAIRMAN NICHOLAS: Any questions of Brian.

REP. MUELLER : Mr. Kramer. What is happening in other states? Have other states relaxed There corporate farming?

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10/3/03
Date

Page 2
House Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 1--31--03

BRIAN KRAMER: As I travel around the country side. We have meeting with other states. Legislative folks that do the same thing I do here. In visiting with them, There are a number of opportunities that are being made available in Iowa.

REP. MUELLER: What is happening in Nebraska and South Dakota?

BRIAN KRAMER: Many of there laws are very similar to ours. There are attempts in those states also to elevate some of these situations by lessening these corporation laws so more capital can be introduced into those operations.

REPRESENTATIVE KELSCH: Brian, As I look at this Bill, Representative Brusegaard is trying to make a go of his family farm. He is a young man in North Dakota that is committed to making his farm go. I look at this as somewhat as economic development. I am familiar with a business in Mandan that also has passed on from one generation to another. Because see a need for expansion in better economic times they took on some more corporate partners. While this Bill would not take on a corporate partner. It would take on an individual. Is that really what this is all about? Is to see that economic development is working to keep people in business in the state. North Dakota is working to keep farmers to allow them to stay on the farm and to keep them in business in North Dakota.?

BRIAN KRAMER. You hit the nail right on the head..

CHAIRMAN NICHOLAS: Anyone else wishing to appear in support of BH 1396

OK we will start with the opposition to HB 1396.

REPRESENTATIVE SOLBERG: It is an honor to be here in front of you.

This is another attempt to chip away at a bill that has worked so well for the state. North Dakota

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10/3/03
Date

Page 3
House Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 1--31--03

Farmers have long had the reputation of independent producers. They have been able to produce without the help of corporations. We have capital available in North Dakota. I would urge this committee to pass this bill up.

REPRESENTATIVE BELTER: You made the statement that our current laws have served the State of North Dakota so well. Would you wish to elaborate on that? I am a little perplexed as to your statement it has served so well. When you look at the problems agriculture is having. What has it really protected us from I guess is the question.

REP. SOLBERG: To bring outside corporate capital is not going to help in the price of our commodities.

CHAIRMAN NICHOLAS: Rep. Schmidt.


REPRESENTATIVE SCHMIDT: A lot of the family farms have disappeared and I am trying to protect the ones that are still out there. Family farms build great people. Corporations cook the books. I ask for your no vote.

CHAIRMAN NICHOLAS: Additional testimony.

JEFF WEISPFENNING: I am here representing Roger Johnson, the Agriculture Commissioner. {{{please read attached testimony}}} I do not believe that HB 1396 is an appropriate or necessary way to address that need.

REPRESENTATIVE: Jeff, I have just one question for you. As someone who has been a proponent of agriculture for a long time. Do you see this as a vehicle. There is a lot of interest in these larger dairies, I know Rep. Onstad is currently involved. Should someone find outside capital, three, four or five people come in and make a sizable investment to start an operation like that and it does take a lot of capital. Anyone that has tried

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10/3/03
Date

Page 4
House Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 1--31--03

to put a value added venture together, I was involved with Dakota Growers. It took thirteen million. I have invested in five or six of these operations. My question would be if you were starting a feed lot, or hog operation and all of these have led to confinement. When I grew up on the farm we milked six cows and my Dad had four sows, and we took the bore around the neighborhood so every body could use it. We don't operate that way any more. The operations have changed. Do you see any benefit in this where you could go out and get this capital from five or six individual which obviously is the intent of Representative Brucegaards bill to do some of these confinements operations such as Rep. Onstad has done on his dairy.

JEFF WEISPFENNING: I think the current law and structures that are out there allow those investments. I am not sure that money is interested in rushing in to dairy. There are dairy products coming in as substitutes coming as imports and the profitability is very difficult.

REP. KELSCH: . Mr Chairman, I find it ironic that our Agriculture Commissioner in the last week has stated twice that Agriculture has changed considerably since the 1930's however he is not willing to make any changes in statues from the 1930's. Just a comment.

CHAIRMAN NICHOLAS: Any other questions?


REPRESENTATIVE BOEHNING: Currently how man family farms are incorporated, how many of the family live on the same farmstead?

JEFF: We don't keep those records. Secretary of state keeps those records.

There are currently and number of farms that are already incorporated under the laws that were passed in the 1993 session. The legislature made those accommodations. I believe that family corporate farms don't live on the same farmstead. There sole pro priority. Or partnerships.

I am not sure why that would matter where they lived on the same farmstead.

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10/3/03
Date

Page 5
House Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 1--31--03

REPRESENTATIVE BOEHNING: It states the principal must be an individual. He has to actively engaged in farming. We have a lot of family farm corporations where they are spread out in town, etc basically what we are doing is giving them the opportunity to get some extra capital from others rather than a bank. The bank money is coming from corporations so that is coming in from out of state also.

JEFF: There are a variety of vehicles out there already. Limited partnerships etc.

CHAIRMAN NICHOLAS: Any other questions.

RICHARD SCHLOSER: NDFU North Dakota Farmers Union is the states largest farm organization. Our mission statement clearly speaks to our commitment to the prosperity of the family farms in rural communitas. Farm land should be under the control of family farmers.

That law should discourage a concentration of farm land ownership by corporations and outside interests. We also call for strict enforcement of corporate farming laws. These laws should be closely monitored to strengthen so that they may continue preserve production agriculture. For family farmers. Further more we believe that corporate farming laws that as initiated in the early 1930's and expanded in 1981 to allow a corporations of lands of close relatives should not be further weakened to give additional advantages to non farm units. North Dakota is fortunate not to have corporate farming.

CHAIRMAN NICHOLAS: Next,

CARL LIMVERE: Mr. Chairman. I am Kaarl Limvere, Pastor of the Zion United Church of Christ of Medina. I serve as the chairperson of the Rural Life Committee of the ND conference of Churches.. [[[PLEASE SEE ATTACHED TESTIMONY}}} I urge a DO NOT PASS

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10/3/03
Date

Page 6
House Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 1--31--03

ON THIS LEGISLATION. I am submitting the testimony of Christoher Dodson. He was unable to stay for this hearing. He is with the North Dakota Catholic Conference which opposes the bill.

REP. BELTER : I see the development of agriculture whether it is large scale poultry production, fee lots, hog facilities, whatever. I see that develop. All over the country. Not necessary say that it is good but it is what has happened in this country. With the development of all of those facilities comes jobs, communities where these people live. North Dakota seems to have missed all of that. Our children continue to leave ND. Our feeds continue to leave ND, our livestock leaves ND to go and service in the whole food processing. How do you address that. Why have we missed all this?

KARL LIMVERE: Simply stated that there are a tremendous amount of problems that go with this growth and ND is better with out it.

CHAIRMAN NICHOLAS: Further testimony.

TERRY ULRICH: Ashlely ND I would like to share my experiences with "outside investor capital" {{{{please see attached testimony}}}}

CHAIRMAN NICHOLAS: Any further testimony? In opposition.

JIM TIGEN: My name is Jim Teigen, My family and I operate a third generation family farm near Rugby in Pierce County. {{{{please see testimony}}} I strongly urge a do not pass.

CHAIRMAN NICHOLAS: Jim you know the problem is we need more people like you to borrow some money to start more of those projects that our friend was talking about here earlier. You can't quite trying.

JIM TIGEN: I don't think the corporations are going to make to many sacrifices for any of us.

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10/3/03
Date

Page 7
House Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 1--31--03

CHAIRMAN NICHOLAS: Nine of ten new business startups fail. I don't care where it is. We have had some successes. Bottom line we need people like you reinvesting. We can go throughout ND when people pass on the money just leaves those communities. It goes to other communities. We have to figure out how we can keep that capital in the state. I don't know whether this bill would keep that capital in the state or not. We have an aging population. In Towner County, we have over eight million dollars. That is for twenty eight hundred people. In the surrounding area there is also a huge amount of cash sitting in the banks. We have to figure out away to keep this money in the state.

JIM TEIGEN: We oppose this Bill.

RALPH Rural Electric Cooperative. One large farm is not going to help us keep electric lines up. Takes more small farms. If you have a good balance sheet you can get financing..

CHAIRMAN NICHOLAS: We will conclude the hearing on HB 1396.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1396

House Agriculture Committee

Conference Committee

Hearing Date 2-6-03

Tape Number	Side A	Side B	Meter #
TWO		B	14.5 TO 20.7
Committee Clerk Signature			

Minutes:

CHAIRMAN NICHOLAS: We will open the hearing on HB 1396. Representative Brusegaard told me to bring this bill up or down and I said we would honor his wishes.

REPRESENTATIVE BOE MOVED FOR A DO NOT PASS AND REPRESENTATIVE KINGSBURY SECONDED THE MOTION.

THE ROLL WAS TAKEN. THERE 9 YES 3 NO AND 1 ABSENT.

REPRESENTATIVE ONSTAD CARRIED THE BILL.

CHAIRMAN NICHOLAS CLOSED HB 1396. REPRESENTATIVE ONSTAD WILL CARRY THE BILL.

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HB 1396

Date: 2-6-03
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House AGRICULTURE COMMITTEE

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO NOT PASS

Motion Made By BOE Seconded By KINGSBURY

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN NICHOLAS	✓				
VICE CHAIRMAN POLLERT	✓				
REPRESENTATIVE BELTER					
REPRESENTATIVE BOEHNING	✓	✓			
REPRESENTATIVE KELSCH		✓			
REPRESENTATIVE KINGSBURY	✓				
REPRESENTATIVE KREIDT	✓				
REPRESENTATIVE UGLEM		✓			
REPRESENTATIVE WRANGHAM	✓				
REPRESENTATIVE BOE	✓				
REPRESENTATIVE FROELICH	✓				
REPRESENTATIVE MUELLER	✓				
REPRESENTATIVE ONSTAD	✓				

Total (Yes) 9 No 3

Absent 1

Floor Assignment Rep ONSTAD

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10/3/03
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REPORT OF STANDING COMMITTEE (410)
February 6, 2003 3:07 p.m.

Module No: HR-23-1908
Carrier: Onstad
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
HB 1396: Agriculture Committee (Rep. Nicholas, Chairman) recommends **DO NOT PASS**
(9 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HB 1396 was placed on the
Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-23-1908

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2003 SENATE AGRICULTURE

HB 1396

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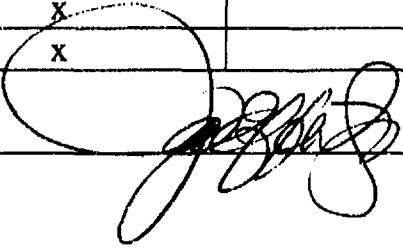
2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1396

Senate Agriculture Committee

Conference Committee

Hearing Date 02/27/03

Tape Number	Side A	Side B	Meter #
1	x		270 - end
2	x		0 - end
3	x		0 - 5554
Committee Clerk Signature 			

Minutes:

Chairman Flakoll opened the hearing on HB 1396. All members were present. Because of the large crowd, the meeting was held in the Bynhild Haugland Room. Senator Flakoll distributed a letter from Anita Thomas from the Legislative Council. He asked her to prepare the information to answer some questions for him.

Representative Brusegaard introduced the bill and testified in favor of the bill. (written testimony) He explained his intentions with the bill. For over 100 years there have been Brusegaards farming in Gilby Township in Grand Forks County. His was and is one of many successful family businesses in North Dakota. It is important to consider why we set a different standard for corporate structure for farming than for other family businesses in North Dakota. He knows lots of farmers in the state and he doesn't know one who would give up control of his farm. This does happen today under current law when a farmer gets into financial trouble so the bank becomes involved in decision making.

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10/3/03
Date

Page 2
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Today we will hear there is ample access to credit already available to farmers so this bill isn't needed. This bill isn't about credit, it is about investment, about capital that doesn't need to be paid back to the bank.

Today we will hear that current law already provides for non-family members to invest in agriculture. Lots of time has been spent in the legislature trying to get around the corporate farming law - maybe it should be changed. There are LLC's and LLP's and LLLC's, methods to get around the corporate farming law. A corporation is the best structure to encourage outside investment in agriculture and limit risk.

Today we will hear the bill will allow corporations to own and control farm and ranch land. The bill says every shareholder must be an individual. You will not have ADM coming in and buying an interest in a North Dakota farm.

Today we will hear the bill will not stem out migration and it is not intended to. Current law has been on the books since the 30's and has not stemmed out migration.

Today we will hear the bill does not require investors to be residents of North Dakota. It is important for us to seek capital from outside of the state. It would bring new money to North Dakota.

This is a fairly minor change to state law. Representative Brusegaard understands that many of the citizens that will stand opposed to the bill today are farmers and he respects their views and their passion. He is a little disappointed in the rhetoric. He is particularly disappointed the Agriculture Commissioner has said in newspapers across the state this week that he doesn't see any reason anybody would want to invest in a farm in North Dakota. That is a bad attitude that

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10/3/03
Date

Page 3
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

sends the wrong message. Fifteen individuals, whether or not they are related, should be able to invest in a North Dakota farm and enjoy the way of life that he has enjoyed. (meter # 1098)

Senator Klein said he has seen the ads in newspapers, the letters to the editors, how do we sort it out? Are there any safeguards in the bill that would prevent a big corporation from taking over your farm and telling you how to run it?

Representative Brusegaard said page 2, line 6 of the bill says each shareholder has to be an individual. A corporation cannot be an investor.

Senator Erbele asked if fifteen individuals could get together, buy an township, find some young fellow to operate it and they would have their own hunting preserve? Do you see the potential for this scenario?

Representative Brusegaard said the young man would have to be a principal shareholder or another principal shareholder would have to be actively involved in the day to day operations of the farm. He doesn't have any problem with landowners hunting on their own land. This isn't the intent of the bill.

Senator Erbele confirmed that the operator has to be a principal shareholder? Does he need to own 65%?

Representative Brusegaard said principal shareholder is the person who owns the most shares. 65% of the gross income of the corporation must be derived from the farm.

Senator Flakoll asked with respect to the principal shareholder, does that require the most shares or 51%?

Representative Brusegaard said it would require a plurality, the most shares.

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10/3/03
Date

Page 4
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Senator Flakoll referred to the letter from Anita Thomas. He asked her specifically if the bill would allow corporations such as Cargill, Tyson Foods, Ford Motor Company or IBM to own farmland or ranchland in North Dakota. She said the bill would not permit this because it requires shareholders to be individuals.

Representative Weisz testified in favor of the bill. (meter # 1563) This bill is good public policy for Agriculture. It won't cure all the problems that agriculture faces today. It will not cause the demise of agriculture as we know it. It does provide a tool to make farms more successful in the future. One of the biggest problems faced in farming is capital. Farming requires more capital to gross profit than any other business. This bill will help address this problem. It could assist a young man get started in farming. It could help a farmer create an incentive for a good employee. It is important to separate the emotion from the reality of the bill.

Senator Flakoll asked if this bill would provide for an incentive for a hired man to be involved in the ownership of a farm or ranch?

Representative Weisz said that is exactly what could happen. (meter # 2070)

Senator Flakoll asked what Huderite colonies do? Are they closely related?

Representative Weisz isn't aware of the business structure of the Huderite colonies.

Senator Klein asked as members of the corporation accumulate, would the operator lose control of the farm?

Representative Weisz said under current law, the bank influences control. Shareholders will be more reasonable than a lender.

Senator Urlacher asked if he envisioned three or four neighbors potentially operating together?

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10/3/03
Date

Page 5
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Representative Weisz said absolutely. One person would need to be the principal shareholder. It would offer additional flexibility.

Senator Flakoll asked with smaller families today, does that enter into the need for the bill?

Representative Weisz said there is a smaller pool of potential corporate shareholders with smaller families.

Senator Seymour asked if you can't under current law give the farm to the hired hand?

Representative Weisz said he could give his farm to anyone he wants but he doesn't want to give his farm away, he wants to allow his employee to be an active participant in the operation. Under current law, the owner of Cargill can buy any land in North Dakota.

Senator Klein asked if a farmer would be compelled to take in any shareholder or if it was his own decision?

Representative Weisz said it would be up to the individual farmer.

Representative Ron Iverson testified in favor of the bill. (written testimony) (meter # 2703)

Senator Nichols said there has been a reference to lack of ability to get capital, investment vs. borrowing. Aren't shareholders going to want to participate in the decision making?

Representative Iverson said it would be wise to let the expert make the decisions. An investor would need to chose the operator carefully.

Senator Nichols asked if an investor would be happy with a return that is less than he could get with another investment?

Representative Iverson said lately many investments haven't had good returns. Part of his purpose of investing in a farm would be taking part in the farming way of life and getting back on the farm.

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10/3/03

Date

Page 6
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Senator Klein asked if a farm isn't doing well, the investor wouldn't have any additional recourse than you would in any other corporate structure? You wouldn't be able to sell out the principal shareholder? The bank would still be the leinholder?

Representative Iverson said that is correct.

Senator Nichols asked if you would be investing in the real estate or the chattels or the ongoing operation?

Representative Iverson said he would be investing in the person, its a small business.

Representative Kasper testified in favor of the bill. (meter # 3294) He is an estate and financial planner. One of the major problems in farming is debt. When principal is repaid, it is with after tax dollars. In a corporation, the debt becomes equity. No principal repayment or interest payments are made. He would assume any farm corporation would have a very restrictive buy/sell agreement. An investor in a farm would be looking at a very long term investment. This will help preserve the family farm in North Dakota. He urges farmers to get beyond the rhetoric and misinformation and look at how this can benefit a family farm.

Senator Nichols asked with regard to an investment in a farm, won't the investor expect a return on his investment?

Representative Kasper said the investor would receive a stock certificate. With buy/sell arrangements, you determine how investors would get out of their investment. It would be funded through a long term buy out or through life insurance. The success of their investment depends on the profitability of the farm.

Dennis Feiken, a young farmer from LaMoure, testified in favor of the bill. (written testimony)
(meter # 4075)

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10/3/03
Date

Page 7
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Senator Flakoll asked if people will invest in farming because they love it?

Mr. Feiken said he hopes they invest because they believe in it.

Senator Klein said one ongoing debate is a concern for Cargill taking over farm land in North Dakota.

Mr. Feiken said you have to be an individual to be a shareholder in a farm corporation.

John Enderle, a farmer near Taylor, testified in favor of the bill. (written testimony) (meter # 4619)

Senator Flakoll asked if this bill passes would land prices drift up?

Mr. Enderle said it won't affect land values. Recently land in his area sold for \$600/acre to a farmer and other investor, he doesn't know the structure of the agreement. Land prices are already going up, some is being purchased for hunting. This bill will help the farmer already on the farm.

Senator Flakoll asked if this bill is less intrusive than people buying up land for hunting?

Mr. Enderle said this bill is not intrusive at all. If out of state concerns want to buy land in North Dakota, they will and have.

Senator Nichols said with regard to the tax and insurance advantages of corporation, have you formed a family corporation?

Mr. Enderle said he has not.

Brian Lougheed, a sophomore at NDSU, testified in favor of the bill. (written testimony) (meter #5330)

Daryl Lies, farmer from Douglas, testified in favor of the bill. Six years ago he testified in this room about corporation ownership of farm and ranch land. He predicted at that time, unless the

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10/3/03
Date

Page 8
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

law was changed, within a decade the number of hog producers in North Dakota would be reduced by half. Six years later, we are just 50 producers away from losing half of our hog producers. Some people say prices put them out of business and that is true to a point. But under a corporate structure with outside investment to take advantage of contracts, the loss could have been reduced from \$38 /head to \$4/head.

Senator Klein said some will say changing the structure will allow major feeders to take over.

Do you think this will happen?

Mr. Lies said he doesn't think this will happen. He said Cargill can already come in and buy land because they are a family corporation.

Carol Two Eagles testified in favor of the bill. (tape 2 side A meter # 47) She was raised on a farm and farmed until 1994. As a single person, her ability to raise capital was limited. Farming is a business and we should treat it as such.

Eric Aasmundstad, farmer from Devils Lake, President of the North Dakota Farm Bureau, testified in favor of the bill. (written testimony) (meter # 187)

Senator Nichols asked if lenders have not done their job?

Mr. Aasmundstad said he thinks the lenders have stepped up time and time again and will continue to do so. The family farm or ranch in North Dakota should have the same opportunity as any other business in North Dakota. If they can turn some debt into equity, they should be given the chance. Investors in a farm or ranch will be accepting some risk and hoping to make a profit. Bankers don't want to take a whole lot of risk and you can't blame them.

Senator Erbele said there are young people in the state with a passion for farming but no opportunity to farm so they leave the state for 15 or 20 years and by that time they become

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10/3/03
Date

entrenched where they are or are making such a good living they wouldn't consider coming back.

With our aging farm population, is this a way to bring some of those people to the farm at an entry level position?

Mr. Aasmundstad said it certainly is a possibility. We can't guarantee it will happen. We can't ignore any possibility if we want young people to stay in the state. If a young person doesn't come into agriculture with some sort of equity position, its pretty tough for him to compete. On a global basis, the only thing that keeps US farmers competitive is technology and technology is expensive.

Representative Schmidt testified against the bill (written testimony) (meter # 1006) He named owners of land from the 1929 atlas. He said we don't know that these corporate owners won't come back and we do not want our people to be tenants again.

Senator Flakoll asked if some of the owners listed might have been because of foreclosures, due to the year?

Representative Schmidt said International Harvester company was listed and they used to loan farmers money for equipment. When they couldn't make the payments, International Harvester would take over the land.

Senator Urlacher asked if Representative Schmidt had any ideas how to increase the prices on farm products?

Representative Schmidt said capital is not a problem in North Dakota. We have all the money we need. This bill will not add to the price of wheat or beef. All these organizations should get together and figure out a way to increase the prices.

Senator Urlacher asked if there are any ways the state could increase prices?

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10/3/03
Date

Page 10
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Representative Schmidt said 40% of the problem is due to Enron and Tyco - they stole our investor's money. The state of North Dakota can't do a thing.

Roger Johnson, Commissioner of Agriculture, testified against the bill. (written testimony) (meter # 1445) He will make a copy of the letter to the editor referred to today available to the committee so they can see there was no intent that folks should not invest in agriculture. There are several problems with the language of the bill. The intention of those behind the bill is honorable.

Senator Flakoll said regarding page 2 of Mr. Johnson's testimony, isn't that in current law?

Mr. Johnson said yes except some of the language is being eliminated, thus creating the conflict.

Senator Flakoll asked if Ted Turner can own farm land in North Dakota?

Mr. Johnson said yes.

Senator Flakoll asked if Ted Turner can share the land with his family?

Senator Flakoll asked how the debt to asset ratio of farmers in North Dakota compares to that of farmers in other states?

Mr. Johnson said he doesn't have the figures but could get them.

Senator Flakoll asked if Mr. Johnson was recently on a task force that concluded farmers could use more capital?

Mr. Johnson asked if he was referring to the Commission on the Future of Agriculture?

Senator Flakoll said he wasn't sure which task force.

Mr. Johnson said he has supported a number of different pieces of legislation that would provide capital to farmers but avoided the kinds of unintended consequences of this bill.

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10/3/03
Date

Page 11
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Senator Flakoll asked about farmers who lived through the era of 20% interest. Not only are we trying to find capital, but we are trying to find capital that will cash flow.

Mr. Johnson said he worked as a credit counselor with debt ridden clients in the 80's. Not in any case would incorporation have helped any of those individuals. Shareholders will always expect a certain benefit, financial or otherwise.

Senator Klein asked if we were able to tweak the language, would you support this bill?

Mr. Johnson said in the limited amount of time we have, he doesn't think they could come to an agreement about how the bill should be modified. A few years ago he convened a commission on the future of agriculture. They came up with about 50 recommendations, one of which dealt with a minor change to the anti-corporate farming bill that dealt with the kinship issue and he couldn't find a legislator to introduce the bill.

Senator Klein said that is why you schedule a bill like this early. We have five weeks to work together on this. In this business, you try to find consensus.

Mr. Johnson said he would be happy to work with the committee in any way but he does not hold out much hope that he could come to agreement on language.

Senator Flakoll asked if he could submit some written proposed improvements to the bill.

Mr. Johnson said he would be happy to submit the previous proposed bill.

Robert Carlson, a farmer from Glenburn and President of the North Dakota Farmers Union testified against the bill. (written testimony) (meter #3353) He said Farmers Union is not afraid of corporations. He sits on the boards of 4 corporations and their job is to make money by reducing expenses and maximizing revenue. This bill would foster more competition for renting or purchasing land and pushing up land values. It wouldn't be a beginning farmer's program.

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10/3/03
Date

Page 12
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Most people who start farming have relatives that help them get started, sometimes their investments are charitable.

Senator Flakoll asked how many corporate farms there are in North Dakota now?

Mr. Carlson said the last number he heard was 514 family farm corporations, primarily established because the structure allows full deduction of health insurance expense. We already have beginning farmer programs at the Bank of North Dakota.

Senator Erbele asked what is Mr. Carlson's definition of the family farm, today in the 21st century?

Mr. Carlson said he defines the family farm as one where the family that's operating the farm does most of the work and makes the management decisions.

Senator Erbele said we have discussed that price is an issue. Is our corporate structure in the US, with corporations owning the processing all the way up to the supermarket that is keeping a lid on the prices at the commodity level?

Mr. Carlson said this is a very insightful question and one he would like to discuss at length. Agriculture has become part of a vertical structure. Walmart, the largest retailer of groceries in the US, has forced even food processors like pasta makers to become, in effect, producers of commodities. They force everyone right down the chain to compete to supply them with very little opportunity for profit. There is vertical control existing because of concentration in the processing industry and that is holding down price. We have some advantages in North Dakota that we could do a better job of exploiting. We are not the most efficient producers in North Dakota because our ground is frozen for a good part of the year. We do have the best quality wheat, the best quality beef, real quality products and because of our weather, we don't have the

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10/3/03
Date

Page 13
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

disease and insect problems that exist in some parts of the country. We need to develop more of a market for our products as premium products that can go to high end consumers. We need our federal congress to attack the concentration in agriculture . If we could bring back Teddy Roosevelt to ride out of the badlands and break up some of these corporations, it would be a great thing.

Senator Erbele referred to the earlier testimony regarding the hog industry, wouldn't this bill help family farms leverage more and cut their losses? (meter #4495)

Mr. Carlson said we have some large hog operations in the state. Farms can form cooperatives in the state. There are opportunities already to get into high volume, size efficient operations. The good thing is people who own those high volume hog operations live here and have to live with the operations.

Senator Flakoll asked if he sees any changes that could be made to current corporate farming laws that would benefit the farmer?

Mr. Carlson said he has not focussed very much on that subject because he hasn't heard a demand for it from his membership. He thinks the current law that allows family farm corporations is working quite well.

Senator Erbele asked if this bill were to pass, would there be an effect be on small towns in North Dakota?

Mr. Carlson said potentially yes. A farm corporation would reduce the cost of inputs and might not purchase locally.

Senator Erbele asked how that would be different from co-ops coming into small towns and affecting the independent businesses.

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10/3/03
Date

Page 14
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Mr. Carlson said it is different because the co-ops are locally owned but the effect on the local businesses would not be different.

Senator Flakoll asked about the potential benefit of providing an incentive to a good employee, by bringing them into the operation.

Mr. Carlson said it is a good incentive and farmers can do it now by gradually giving a hired man an interest in a quarter of land.

John Spitzer, a single farmer from north of Bismarck and chairman of his township board, testified against the bill. (meter # 5065) The key word is "individual" in the proposed bill. This is an opportunity for the legislative session for them to change one word and its another step to the ultimate corporation system. A quarter of land in his township sold recently to a school teacher who turned around and rented it to the farmer who had rented it in the past. The opportunity is there now and the return is cash rent. We have the best products and the legislature has to invest in sending these products out of state in a box, not in a boxcar. If this bill is passed, we will refer it.

Senator Flakoll asked if gradual participation at a progressive level in a farm corporation would be a good incentive for a farm employee?

Mr. Spitzer said no, the employee should be paid an hourly wage and if he can afford it, he can buy land.

Senator Flakoll asked about the proposed Northern Plains Premium Beef, wasn't that a program that would have sent products out of state in a box but there was not enough capital to initiate the project?

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10/3/03
Date

Page 15
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Mr. Spitzer said the state of North Dakota has enough money to do something like that, why don't you do it?

Dave Sadowski, a farmer north of Dickinson, testified against the bill. He brought letters from 46 others from southwest North Dakota who could not attend the hearing. (meter # 5732)

Karl Limvere, Chairperson of the Rural Life Committee, North Dakota Conference of Churches, testified against the bill. (written testimony) (meter # 5936)

Rodney Nelson, rancher from Almont and cowboy poet and humorist, testified against the bill. (written testimony) (meter # 301, tape 3 side A)

Roger Zetocha, farmer from Stirum, testified against the bill. (written testimony) (meter # 527)

Lance Gulleson, junior in Agriculture Engineering at NDSU, testified against the bill. (written testimony) (meter # 838)

Mark Larson, farmer and agriculture lender from Minot, testified against the bill. (written testimony) (meter # 1033)

Stan Stine, farmer from southern Richland County, testified against the bill. (written testimony) (meter # 1237)

Senator Erbele asked what is his opinion of current law?

Mr. Stine said the current law allows most people to get the financing they need if they have a good plan.

Senator Erbele said Mr. Stine said in his testimony that this bill would bring in corporate money to farming. Wouldn't this be individual money since only individuals can be a part of the proposed corporations?

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10/3/03
Date

Page 16
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Mr. Stine said members of those corporations could individually invest. They have much more money and much more ability to invest.

Senator Flakoll asked how much money one has to have to be rich?

Mr. Stine said he will probably never find out.

Senator Flakoll said Mr. Stine talked about rich interests coming in. What are rich interests?

Mr. Stine said the opportunities are already here so he doesn't understand the question.

Ralph Birdsall, Ward County farmer and member of a REC board of directors, testified against the bill. (written testimony) (meter # 1672) He is lucky to have his sons involved in the farm.

They do not need outside help, his parents helped him get into farming and his boys are farming because he helped them.

Regarding the hired man, he had an excellent young man working for him and they formed a LLP to jointly purchase a combine and the hired man was able to build equity. He has also developed different enterprises with his sons to help them build equity. The opportunities already exist under current law.

Myron Blumhagen, farmer from Drake, spoke in opposition to the bill. (written testimony) (meter #2079) He also submitted the definition of "actively engaged" from an FSA publication.

Allen Lund, rancher from Selfridge, spoke in opposition to the bill. (written testimony) (meter # 2264)

Dana Brandenburg, from Edgely, testified against the bill. (meter #2419) He said greed and anti trust are the two reasons he is opposed to the bill. Greed is the driving force of the corporate structure. They lie to the people they want to get involved and once the contract is signed they tell them to go get a lawyer. They have destroyed our farms for the last 70 years. For the last 25

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10/3/03
Date

Page 17
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

years, we have watched prices skyrocket while at the same time they have held our product prices low.

Mark Rottenberger, junior at NDSU, testified in opposition to the bill. (meter # 2512) His father started a business a few years ago and received capital from the local credit union. He had a cash flow problem and established a line of credit. He recently expanded and went to expand his line of credit. They wanted to give him a big loan but he said he just needed the line of credit. We just aren't getting it. We don't just need capital but the reason farmers are going into debt is because prices are too low. This bill doesn't address that problem.

Kevin Teigen, originally from Rugby and a freshman at NDSU, spoke against the bill. (written testimony) (meter # 2815)

Dave Teigen, senior at NDSU and future farmer, spoke in opposition to the bill. (written testimony) (meter # 3191)

Mike Donahue, North Dakota Wildlife Federation, testified against the bill. (written testimony) (meter #3556)

Pastor Muriel Lippert Schauer, pastor at Bethlehem Evangelical Lutheran Church, testified against the bill. (written testimony) (meter # 3709) She said at one time Governor Langer declared a moratorium on sending any crops out of the state until the prices increased. He knew it was illegal but by the time it was declared illegal, it would have helped.

Christine Sandland, manager of Farmers Union Oil Company in Selfridge, testified against the bill. (written testimony) (meter # 4150)

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10/3/03
Date

Page 18
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 02/27/03

Randy Richards, farmer from Hope, North Dakota, testified against the bill. (meter # 4424) In our rural communities, people serve on committees and take pride in their communities. The outside investors would not care about our communities.

Walter Hardie, farmer from the southeast corner of North Dakota, testified against the bill.

(written testimony) (meter # 4629)

Greg Svenningsen, farmer from Barnes county, testified against the bill. (written testimony)

(meter # 5003)

Hans Reinhart, farmer from Cavalier county, testified against the bill. (meter # 5233) Getting financing isn't a problem, paying back the loan is. These big corporations will bring in their own supplies and won't support local businesses.

Chairman Flakoll closed the hearing on HB 1396.

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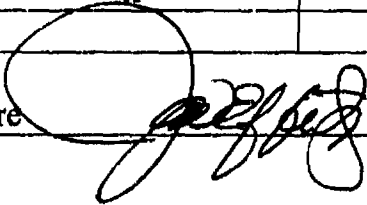
2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1396

Senate Agriculture Committee

Conference Committee

Hearing Date 03/06/03

Tape Number	Side A	Side B	Meter #
1		x	5440 - 5863
3	x		15 - 420
Committee Clerk Signature 			

Minutes:

Chairman Flakoll opened the discussion on HB 1396. All members were present.

Senator Flakoll distributed proposed amendments .0102 from Representative Brusegaard.

Senator Flakoll went through the amendments with the committee. The amendments would change the bill to require 12 members to be related. Some amendments are at the behest of the Agriculture Commissioner, indicating the operator must own more than 50% of the shares. The amendment also defines "actively engaged". The amendments also describe the procedure for divestiture which are already a part of code.

Senator Flakoll thought it would be good for the committee to have a little time to study the amendments.

Senator Erbele confirmed that one person would be required to have at least 51% of the shares.

Senator Flakoll said there were some concerns heard in testimony regarding a plurality vs. majority shareholder and the amendment addresses this concern.

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10/3/03
Date

Page 2
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 03/06/03

Senator Flakoll also told the committee the clerk has distributed to them the written testimony of Robert Bornemann which was submitted this week.

Chairman Flakoll recessed the meeting of the Senate Agriculture Committee until it reconvenes at 2:30 PM in the Brynhild Haugland Room.

Chairman Flakoll reconvened the meeting of the Senate Agriculture Committee at 2:15 PM in the Brynhild Haugland Room (tape 3 side A meter # 15) and opened the discussion on HB 1396. All members were present.

Senator Klein said there were many concerns voiced in testimony last week. The sponsor has submitted some proposed amendments to address some of those issues. Senator Klein still has some concerns about the "actively engaged" definition. The amendments are somewhat better.

It was moved by Senator Klein and seconded by Senator Urlacher that the amendments .0102 be adopted. (meter #145)

Senator Seymour said he doesn't think the amendments are that great.

Senator Klein agreed but said we try to move towards consensus and the amendments do cover some of the concerns the speakers voiced last week. He said we should address this and make it at least somewhat better.

Senator Nichols agreed the amendments are an improvement but there are still lots of problems with the bill.

Senator Urlacher said it is an attempt at better form.

Senator Flakoll said the bill has helped us realize this section of law is in need of a rewrite.

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10/3/03
Date

Page 3
Senate Agriculture Committee
Bill/Resolution Number HB 1396
Hearing Date 03/06/03

The motion to adopt the amendments passed 4 - 2 on a roll call vote. Voting yes were Senator Flakoll, Senator Erbele, Senator Klein and Senator Urlacher. Voting no were Senator Nichols and Senator Seymour.

Senator Klein said he still has concerns about the bill. He thinks we need to readdress the whole corporate farming issue.

It was moved by Senator Klein, seconded by Senator Nichols and passed on a roll call vote that the Senate Agriculture Committee take a Do Not Pass as Amended action on HB 1396. Voting yes were Senator Flakoll, Senator Erbele, Senator Klein, Senator Urlacher, Senator Nichols and Senator Seymour. No negative votes were cast. Senator Erbele will carry the bill to the floor.

Chairman Flakoll moved on to other business of the committee.

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JB
3-7-3
1 of 2

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1396

Page 1, line 3, after "ranching" insert "; and to provide for compliance"

Page 1, line 7, overstrike "or a trust for the benefit of an individual or a class of"

Page 1, line 8, overstrike "individuals"

Page 1, line 21, after "shareholders" insert ", at least twelve of whom must be related"

Page 1, line 23, overstrike the period

Page 2, line 1, overstrike "2."

Page 2, line 2, after "members" insert ", at least twelve of whom must be related. For purposes of this section, "related" means" and remove the overstrike over "~~within one of the following degrees of kinship or affinity: parent, son,~~"

Page 2, remove the overstrike over lines 3 through 5

Page 2, line 6, after "3." insert "2."

Page 2, line 12, overstrike the period

Page 2, line 13, remove "3." and overstrike "A trust or an estate may not be a shareholder or member if the beneficiaries of the"

Page 2, overstrike line 14

Page 2, line 15, overstrike "fifteen in number"

Page 2, line 16, replace "4." with "3."

Page 2, line 18, replace "5." with "4." and overstrike "the"

Page 2, line 19, remove the overstrike over "one of the"

Page 2, line 20, remove the overstrike over "shareholders", remove "principal shareholder", and overstrike "must be an individual"

Page 2, line 21, after "or" insert "must hold more than fifty percent of the shares and must be"

Page 2, line 23, overstrike "at least"

Page 2, line 24, overstrike "be an individual" and after "or" insert "hold a membership interest greater than fifty percent and must be"

Page 2, line 25, after the period insert "For purposes of this section, "actively engaged in operating the farm or ranch" means that the individual contributes to the production activities of the farm or ranch on a daily basis and makes the management decisions affecting the operation of the farm or ranch."

Page 2, line 26, replace "6." with "5."

2 of 2

Page 3, line 1, replace "7." with "6."

Page 3, after line 10, insert:

"SECTION 4. COMPLIANCE WITH PROVISIONS - TEN YEARS.

Notwithstanding any other law, any corporation or limited liability company that owned farmland or ranchland in this state in accordance with chapter 10-06.1 on July 31, 2003, but which on August 1, 2003, is in violation of chapter 10-06.1, may have until July 31, 2013, to comply with chapter 10-06.1."

Renumber accordingly

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Date: 3/6/03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1396

Senate Agriculture Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Move amend. 0102

Motion Made By Sen Klein Seconded By Sen Urlacher

Senators	Yes	No	Senators	Yes	No
Senator Flakoll, Chairman	✓		Senator Nichols		✓
Senator Erbele, Vice Chairman	✓		Senator Seymour		✓
Senator Klein	✓				
Senator Urlacher	✓				

Total (Yes) 4 No 2

Absent 0

Floor Assignment _____

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

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Operator's Signature Date

Date: 3/6/03
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1396

Senate Agriculture Committee

Check here for Conference Committee

Legislative Council Amendment Number 30648.0102

Action Taken Do Not Pass as amended.

Motion Made By Sen Klein / K Seconded By Sen Nichols

Senators	Yes	No	Senators	Yes	No
Senator Flakoll, Chairman	✓		Senator Nichols	✓	
Senator Erbele, Vice Chairman	✓		Senator Seymour	✓	
Senator Klein	✓				
Senator Urlacher	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen Erbele

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

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Diana Hallworth Operator's Signature 10/3/03 Date

REPORT OF STANDING COMMITTEE (410)
March 7, 2003 12:20 p.m.

Module No: SR-41-4225
Carrier: Erbele
Insert LC: 30648.0102 Title: .0200

REPORT OF STANDING COMMITTEE

HB 1396: Agriculture Committee (Sen. Flakoll, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1396 was placed on the Sixth order on the calendar.

Page 1, line 3, after "ranching" insert "; and to provide for compliance"

Page 1, line 7, overstrike "or a trust for the benefit of an individual or a class of"

Page 1, line 8, overstrike "individuals"

Page 1, line 21, after "shareholders" insert ". at least twelve of whom must be related"

Page 1, line 23, overstrike the period

Page 2, line 1, overstrike "2."

Page 2, line 2, after "~~members~~" insert ". at least twelve of whom must be related. For purposes of this section, "related" means" and remove the overstrike over "~~within one of the following degrees of kinship or affinity: parent, son,~~"

Page 2, remove the overstrike over lines 3 through 5

Page 2, line 6, after "~~3.~~" insert "2."

Page 2, line 12, overstrike the period

Page 2, line 13, remove "~~3.~~" and overstrike "A trust or an estate may not be a shareholder or member if the beneficiaries of the"

Page 2, overstrike line 14

Page 2, line 15, overstrike "fifteen in number"

Page 2, line 16, replace "~~4.~~" with "3."

Page 2, line 18, replace "~~5.~~" with "4." and overstrike "the"

Page 2, line 19, remove the overstrike over "~~one of the~~"

Page 2, line 20, remove the overstrike over "~~shareholders~~", remove "principal shareholder", and overstrike "must be an individual"

Page 2, line 21, after "~~or~~" insert "must hold more than fifty percent of the shares and must be"

Page 2, line 23, overstrike "at least"

Page 2, line 24, overstrike "be an individual" and after "~~or~~" insert "hold a membership interest greater than fifty percent and must be"

Page 2, line 25, after the period insert "For purposes of this section, "actively engaged in operating the farm or ranch" means that the individual contributes to the production activities of the farm or ranch on a daily basis and makes the management decisions affecting the operation of the farm or ranch."

Page 2, line 26, replace "~~6.~~" with "5."

(2) DESK, (3) COMM

Page No. 1

SR-41-4225

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Donna Hallworth
Operator's Signature

10/3/03
Date

REPORT OF STANDING COMMITTEE (410)
March 7, 2003 12:20 p.m.

Module No: SR-41-4225
Carrier: Erbele
Insert LC: 30648.0102 Title: .0200

Page 3, line 1, replace "Z." with "6."

Page 3, after line 10, insert:

"SECTION 4. COMPLIANCE WITH PROVISIONS - TEN YEARS.
Notwithstanding any other law, any corporation or limited liability company that owned farmland or ranchland in this state in accordance with chapter 10-06.1 on July 31, 2003, but which on August 1, 2003, is in violation of chapter 10-06.1, may have until July 31, 2013, to comply with chapter 10-06.1."

Renumber accordingly

(2) DESK, (3) COMM

Page No. 2

SR-41-4225

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Dennis Hall
Operator's Signature

10/3/03
Date

2003 TESTIMONY

HB 1396

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Deanna Halliwell
Operator's Signature

10/3/03
Date

Mr. Chairman, Members of the Committee:

My name is Jim Teigen. My family and I operate a third-generation family farm near Rugby in Pierce County. Our primary crops are hard red spring wheat, barley, and oil sunflower.

We say that we are family farmers because we assume all of the risk, are responsible for all management decisions, and provide nearly all of the labor for our operation. The only outside help that we hire is from my brother, and occasionally a neighbor, to help with combining, and that is not necessarily because we couldn't do it ourselves, but because we want to try to complete harvest before weather reduces the quality of our grain.

Our two sons still farm part of our operation as FFA projects, and our oldest son will join the operation on a full-time basis when he graduates from NDSU in May.

I speak in opposition to House Bill 1396, not as an expert on corporate farming, but from observations of the potential harmful effects that weakening North Dakota's corporate farming law could cause.

House Bill 1396 removes the relationship requirements from the present law- that appears to be the opposite of family farming.

It also removes the requirement for any of the shareholders to reside on the farm or ranch. It appears that the shareholders wouldn't even have to be residents of North Dakota, which would allow them to take all of their profits out of the state - hardly the way to grow North Dakota.

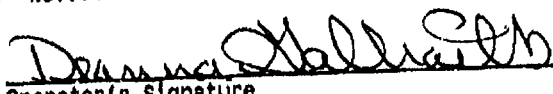
The bill says at least one member must be actively engaged in operating the farm or ranch - how do we define that? Is it the person who provides the labor? Could it be the person who signs the check for input costs? Could it be the person who decides which crop or animal to raise? Is it the person who decides when to sell? Is it the person who decides to haul all of the inputs from out-of-state, and then take all of the produce out of state after harvest to sell at other markets?

My observations of corporations is that they cause the operations to get larger, not stay the same size or get smaller. That is not going to increase North Dakota's population .

We hear that our declining population is one of North Dakota's largest problems. We wrestle with raising teacher's salaries to keep them from moving to Minnesota or Colorado. We advertise to bring former residents back to the state. We give tax breaks to new companies to try to strengthen our economy.

It is ironic that we would even consider a bill like this, which would only encourage out-of-state ownership and the transfer of profits and business out of our rural communities, and result in fewer farmers and ranchers on our land. I believe this bill has much potential to adversely affect our state, and I urge you to vote do not pass.

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HB 1396

I would like to share my experiences with "outside investor capital".

One of our state paper's editorials recently viewed that our current anti-corporation farming law is a "vestige of an earlier age" that should be changed. Granted: that law may be a footprint from the past, just like the U.S. Constitution. But it has served North Dakota well and has proven to be visionary. Many states would dearly like to be in the position we are in now in light of the environmental messes they have at present.

Low commodity prices and bad farm policy, not our anti-corporate farming law, is what has driven family farmers from the land. By allowing our out-of-state relatives or investors to invest in our farms is not going to improve commodity prices or change policy. Nebraska has done well with a ^{an} corporate farming law.

You want to hear some *sobering statistics*: McIntosh County still has a good population for its size. It has 160 farms. 60 of those are farmed by farmers from 60 - 70 years old. 80 of those are between 50 - 60 years old. 39 farms are between 30 to 50 with the majority over 40. 1 farmer below 30 years old. Our future is keeping people out on the land, on family farms; corporations will not do that!

Rural North Dakota is starting to wake up, albeit too late in some cases. We recently have had people moving in from Colorado, Pennsylvania, Virginia, Indiana, New York, Montana, Utah and Oregon, the good with the bad! Times were tough and my neighbors wanted to retire, pay off debts, etc. The Internet brought prospective buyers from around the country. Five years ago one farm was bought by an LLP, a vehicle legal in present law, (by the way, which was financed by our local Farm Credit office).

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This group composed of 100 shareholders from Pennsylvania, doctors and professional people, who own 11 farms in 3 states. **No local people will ever have the chance to farm that land again!** A large soybean farmer from Indiana, (pushed out from the urban sprawl from Chicago) will have the land custom farmed for himself; bragging about how he out bid all the locals by \$7.00/acre. No one could compete with him on that marginal ground. He also turned out to be speculator; having sold the property he bought at a nice profit. It's a shame the original farmers couldn't have pocketed that money too!

We had a 20000-acre operation from a neighboring state that came in and drove the rent up \$20.00 acre in just one year. Five retiring farmers rented their land to this outfit (do you think any one else got anything). They push the HEL (highly erodible land) as hard as they can for three years, dumping it, leaving the erosion and three Ft. deep gullies behind, then moving on to other new land.

One mile up the road, the Virginians; owning seven banks, bought 1300 acres for hunting (and are looking to buy some more) where they come and stay for about three weeks every October. **None of these land buyers plan on moving here!** **The point**, is outside investors are already here and more will be coming due to urban sprawl and the creeping north of the Corn and Soybean belt.

They are attracted to our **cheap land** and North Dakotans will benefit very little from it! Hunters are buying all available marginal land and driving up prices. Thereby setting a price floor. How can young people start up farming in a competitive environment like this today? I'm not sure we'll be able to keep the Farmers we have now. Are we going to hang **a For Sale sign on North Dakota?** Are we that desperate for outside capital that we are willing to sell out our state's soul all in the name of one sided economic development (if you can call it that)?

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10/3/03
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As a side issue, I haven't seen any lack of investment capital for land ownership. My uncle sold the family home place and said he had ten buyers waiting in line, lamenting he sold the place to cheap to buyers from western ND. What I do see is a lack of incentives to invest in value added cooperatives, which should be good for North Dakota. As an investor in AgGrow Oils and Spring Wheat Bakers, at this stage of the game due to a lack of profitability and high risk in the Ag industry, I doubt if I will ever invest in any instate value-added coop again. There is simply too much risk and the farmer always has to bear the brunt of it.

Finally, the assertion that the law should be changed because "it makes job creation in agriculture more difficult," is interesting. What type of jobs are we talking about and what pay scale? Custom seeding, Custom harvesting, Manure Hauling? It basically, would be farmers getting paid an *hourly wage* to be farmers, except they wouldn't farm the land or reap any benefits.

Surely, our legislators can come up with better legislation than passing a corporate farming law that hands our natural resources to people solely interested in *stockholder profits* and who, the majority, probably would not be residents of North Dakota either.

I'm especially *frustrated* by a legislature that caters to its own special interests and seem to be not listening *to the people* since this same issue comes up in every single session!

Finally, once again, what we need to address is *farm income*, not farm ownership.

Terry Ulrich, Ashley ND

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Terry Ulrich
Operator's Signature

10/3/03
Date

COMMISSIONER OF AGRICULTURE
ROGER JOHNSON



PHONE (701) 328-2231
(800) 242-7535
FAX (701) 328-4567

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 1396
House Agriculture Committee
Peace Garden Room
January 31, 2003**

Chairman Nicholas and members of the House Agriculture Committee, I am Jeff Weispfenning, presenting testimony on behalf of Commissioner of Agriculture Roger Johnson. I am here today to testify against HB 1396, which seeks to eliminate the "kinship requirement" in North Dakota's anti-corporate farming law. HB 1396 would, in effect, negate the purposefulness of the anti-corporate farming law in North Dakota.

Our Anti-corporate Farming Law Serves Us Well

The anti-corporate farming law was overwhelmingly approved by North Dakota voters in 1932 and serves our state well. Seven other states have since enacted anti-corporate farming legislation. The state of Nebraska has gone further and has made an anti-corporate farming measure a part of their state constitution. Why would we weaken our anti-corporate farming law

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Dennis Hallmark
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10/3/03
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when only recently other states have enacted similar safeguards or strengthened their laws? We should be cognizant of the lessons others have learned.

Agriculture has changed dramatically since the 1930's, but the same economic principals remain in play. North Dakota is an agricultural state, and agriculture is one of our driving industries. If allowed, corporations will farm our land – either directly or with tenant farmers. The anti-corporate farming law is just as applicable today as it was seventy years ago and is responsible public policy. It is still necessary to protect the economy of our state and the welfare of our independent farmers and ranchers.

Non-family Members Can Invest in Farms Under Current Law

Further, our current anti-corporate farming statute does not prohibit non-family members from investing in farms. There are many legal channels available (e.g. partnerships, limited partnerships, etc...) for anyone – family or non-family members – to invest in a farming operation.

Supporters of this bill will likely claim that North Dakota farmers need more access to capital.

While I agree that farmers and ranchers need adequate access to capital, I do not believe that HB 1396 is an appropriate or necessary way to address that need.

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10/3/03
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Changing the Anti-Corporate Farming Law Will Not Improve Prices or Economic Concentration

As we are all well aware, prices remain low for many agricultural products and commodities. Changing or eliminating the anti-corporate farming law won't do anything about the low prices farmers receive for their products. In fact, it will likely exacerbate the problem.

Another major issue facing agriculture today is economic concentration, spurred by the corporate bottom line. The driving force for economic concentration is not economic efficiency but rather economic power, the exercise of which results in lower efficiencies, poorer services and ultimately higher prices for food. This bill would exacerbate economic concentration, precisely the opposite of what independent farmers and ranchers (and our consumers) need.

On the state level, agriculture needs tools to help farmers and ranchers develop and use new technologies, to grow new crops and livestock and to invest for themselves in grower-owned agricultural production, processing and distribution cooperatives. This bill would have the opposite effect.

The bottom line is that changing North Dakota's anti-corporate farming law won't make agriculture profitable for North Dakota farmers and ranchers. It will only drive our prices lower so the corporate bottom line can improve. Chairman Nicholas and committee members, I urge you to give HB 1396 a do not pass recommendation. I would be happy to answer any questions you may have.



Representative Thomas T. Bruégaard
 District 19
 2994 27th Avenue NE
 Gliby, ND 58235-9802
 tbrusega@state.nd.us

NORTH DAKOTA HOUSE

STATE CAPITOL
 600 EAST BOULEVARD
 BISMARCK, ND 58505-0360



COMMITTEES:
 Appropriations - Education and Environment
 Division, Vice Chairman

TESTIMONY HB 1396

Mr. Chairman and Members of the Committee. What a pleasure it is to be back in front of the House Ag Committee. Today I would like to encourage your careful consideration and favorable consideration of HB 1396.

This bill would simply eliminate the requirement that all shareholders in a farming corporation have to be related. Shareholders would have to be **individuals** and would be **limited in number** to 15. The principal shareholder of the corporation must be **actively engaged** in operating the farm or ranch.

The whole point is to encourage outside investment in North Dakota agriculture. This bill would provide an easy, well defined structure for this to happen.

The current law has ^{Not} "saved family farms," but it has limited producer option when it comes to acquiring capital.

This is not a repeal of our corporate farming law. It makes it better.

Vote for a **DO PASS** recommendation on HB 1396.

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10/3/03
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Administration:
1101 1st Ave N
P.O. Box 2064
Fargo, ND 58107
701-298-2200 • 1-800-367-9668
Fax: 701-298-2210

State Headquarters:
4023 State St
P.O. Box 2793
Bismarck, ND 58502
701-224-0330 • 1-800-932-8869
Fax: 701-224-9485

North Dakota Farm Bureau

www.ndfb.org

NORTH DAKOTA FARM BUREAU
TESTIMONY ON
HOUSE BILL 1396

Good morning Chairman Nicholas and members of the House Agriculture Committee. My name is Brian Kramer and I am representing the 26,000 member families of North Dakota Farm Bureau. We support HB 1396.

This bill seeks to relax the restrictions on membership and investment in a farm corporation or limited liability agriculture enterprise. Currently all members or shareholders of an incorporated farm must be related. This requirement would be removed. The bill would change language to state that the principle shareholder must be an individual actively engaged in operating the farm or ranch or at least one member of a limited liability company must be actively engaged in operating the farm or ranch.

The bill does nothing to allow large corporations to enter the farming industry in this state. It maintains the current cap on the number of shareholders that can be members. It requires that shareholder be an individual and a U.S. citizen.

ND Farm Bureau supports HB 1396 because it will provide more opportunities for capital needed to expand or enhance a farming operation. There have been numerous bills introduced in recent years, and even in this legislative session,

One future. One voice.

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attempting to circumvent the corporate farming laws for the explicit reason that outside investment is desirable and necessary. If a distant relative or business partner wants to invest in a farming operation, they should be able. If a farm operator wants to bring in partners to make the operation more financially sound or to expand, that should be possible.

In these days of technological advances, increased real estate costs and intensive capital needs for inputs, it is difficult to understand why this state insists on clinging to outdated and outmoded concepts that restrict our ability to capitalize our operations to make them more viable and sustainable. We need to look to the future. We need to expand our financial opportunities. We need to relax the restrictive corporate farming laws. We need to pass HB 1396.

Thank you. I would try to respond to any questions.

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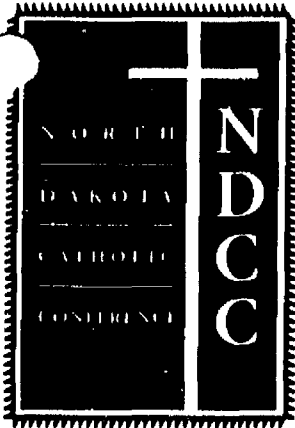
Each and every person on this list has stated- I would have never achieved what I am without my experience growing up on a small family farm or my association with small towns in North Dakota.

Teddy Roosevelt	Badlands
Warren Christopher	Scranton
Peggy Lee	Egelson
Angie Dickinson	Kulm
Lute Olson	Clifford
Phil Jackson	Williston
Dale Brown	Minot
Dave Osborne	Cando
Phil Hanson	Oaks
2 Astronauts	New Rockford and Jamestown
Darrin Erstad	Jamestown

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Dorinda Hallmark
Operator's Signature

10/3/03
Date



Representing the Diocese of Fargo
and the Diocese of Bismarck

Christopher T. Dodson
Executive Director and
General Counsel

To: House Agriculture Committee
From: Christopher Dodson, Executive Director
Subject: HB 1396 -- Corporations in Farming and Ranching
Date: January 31, 2003

I am Christopher Dodson, the executive director of the North Dakota Catholic Conference. The North Dakota Catholic Conference opposes House Bill 1396.

Farming and ranching is not merely an economic activity. It is both a sacred gift and sacred obligation. As such, it must be conducted within an ethical, economic, and legal framework that fosters justice, families, communities, the common good, and stewardship of creation. With this in mind, the conference believes the legislature should "support the spirit and intent of North Dakota's Corporate Farming Law to preserve and maintain farm ownership and control in the hands of family farmers." (*Giving Thanks Through Action: A Statement by the Roman Catholic Bishops of North Dakota on the Crisis in Rural Life.*)

House Bill 1396 is inconsistent with this call. The bishops' support for family owned and operated entities stems from their belief, supported by experience and social data, that such ownership best ensures a just system of agriculture, economically, socially, and environmentally. It is consistent with the calls of bishops in rural communities across the nation and the laments of bishops in states with investor-owned farming.


Claims that our anti-corporate farming law ignores the inevitable trends of the modern economy reflect a false ideology on the economy and progress. The economy is a human-made institution, not an inevitable force. Although our current system often falls short of providing a just system of agriculture, the choice of how to respond is ours. We should not toss aside something that will not solve the problems and has served the people and land of North Dakota well.

We urge a **Do Not Pass** recommendation on HB 1396.

227 W. Broadway, Suite 2
Bismarck, ND 58501

(701) 223-2519
1-888-419-1237
FAX # (701) 223-6075

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**STATEMENT OF
Karl Limvere, Chairperson
RURAL LIFE COMMITTEE
NORTH DAKOTA CONFERENCE OF CHURCHES**

**HOUSE BILL # 1396
CORPORATE FARMING AMENDMENT**

**JANUARY 31, 2003 HEARING
HOUSE AGRICULTURE COMMITTEE**

Mr. Chairman. I am Karl Limvere, Pastor of the Zion United Church of Christ of Medina. I serve as the chairperson of the Rural Life Committee of the North Dakota Conference of Churches.

The North Dakota Conference of Churches and its Rural Life Committee have established goals and objectives defining the common good for rural America. We believe that ultimately, the test of any agricultural or economic policy is a moral one. Public policy must put human needs ahead of economic profits. It must recognize the dignity of humankind and preserve the integrity of God's creation. It must foster community accountability and responsibility and self-governance to give the rural community greater control over its destiny. It must create broad-based ownership and opportunity for all. It must strengthen the family, the community and the society."

We envision and support the development of a rural society that promotes the greatest potential number of diversified family farming/ranching opportunities possible. We support a widely-dispersed structure of agriculture production with broad-based ownership that is dominated by resident, owner-operator, family farms and ranches.

We support authentic development in agricultural production systems that enhance family and community life, food security and the stewardship of creation. We oppose public policies which encourage or enhance the industrialization and corporatization of agricultural production. Agricultural industrialization is not defined as the use of technology, but instead it is the separation of capitalization, management and labor components of agriculture into separated and distinct functions. Corporatization is also the process of moving ownership and or control to off-farm investors and into vertically and horizontally integrated corporate structures.

We specifically believe that non-family farm corporations should not be allowed to engage in the productions of crops, livestock, produce fibers or other

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agricultural commodities. Family farm corporations should be strictly regulated and monitored to ensure that they serve the goals and objectives of maintaining a family-farm system of agriculture. Corporate farming laws should be strengthened and effectively enforced. We oppose the weakening of such laws.

House bill 1396 would delete the key provision of our state's corporate farming law: the provision that currently requires the corporation to be a family farm.

If this bill were to become law, there would be little reason to maintain any of the other provisions of North Dakota's restrictions on corporate farming. The bill would gut the law and would open our state's agricultural resources to unfettered corporate farming.

Our rural communities are facing sufficient challenges as its. Opening this door simply pushes them over the edge.

There is a close interrelationship between a healthy family-farm structure of agriculture and healthy rural communities. This has been repeatedly verified by sociological studies. The structure of agriculture that surrounds a community is just as an important as the price that farmers receive for their commodities in gauging the health of agricultural towns.

All of us recognize that farmers, rural communities, and all of rural America have faced significant difficulties in recent times. We have faced the forces of nature and experienced short crops due to drought, disease, and other perils. We have also faced the forces of economics and politics, which have further tested the limits of endurance of family farmers and the family farm system. Most of these things are beyond the control, scope or capacity of state government to handle or address.

Therefore it is particularly important that in the one area in which the state government can and does set policy – the regulation of farming by corporations – that the state government should place its support, hope, and vision with the family farmer and rancher.

I would urge this committee to give this legislation a "do not pass" recommendation and for the House of Representatives to vote to kill the bill.

Thank you.

Respectfully submitted,

Karl Limvere, Chairperson
Rural Life Committee
North Dakota Conference of Churches
PO Box 725, Medina, ND 58467

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39672



WESLEY N. BELTER
State Representative
Chairman

JOHN D. OLSRUD
Director

JAY E. BURINGRUD
Assistant Director

JIM W. SMITH
Legislative Budget
Analyst & Auditor

JOHN WALSTAD
Code Revisor

North Dakota Legislative Council

STATE CAPITOL, 600 EAST BOULEVARD, BISMARCK, ND 58505-0360 (701) 328-2916 TTY: 1-800-366-6888

February 27, 2003

Honorable Tim Flakoll
State Senator
Senate Chamber
State Capitol
Bismarck, ND 58505

Dear Senator Flakoll:

You asked us to review House Bill No. 1396 and determine whether the changes it proposes to North Dakota Century Code Chapter 10-06.1 would allow corporations such as Cargill, Tyson Foods, the Ford Motor Company, or IBM to own farmland or ranchland in this state.

Under current law, a corporation permitted to own farmland or ranchland may not have more than 15 shareholders. Each of the shareholders must be related to one another as a parent, son, daughter, stepson, stepdaughter, grandparent, grandson, granddaughter, brother, sister, uncle, aunt, nephew, niece, great-grandparent, great-grandchild, or first cousin, or must be the spouse of one so related. House Bill No. 1396 removes the requirement that each shareholder be related.

However, House Bill No. 1396 does not remove the requirement that each shareholder must be an **individual**. An "individual," as defined in Title 1 of the North Dakota Century Code, is a "human being." Therefore, House Bill No. 1396 would not allow corporations such as Cargill, Tyson Foods, the Ford Motor Company, or IBM to own an entire farm or ranch in this state, nor would it allow such corporations to obtain a percentage share of a farm or ranch in this state.

By way of summary, current law permits farm or ranch ownership by up to 15 **related** individuals. House Bill No. 1396 would permit farm or ranch ownership by up to 15 **unrelated** individuals.

Please let us know if we can be of further assistance.

Sincerely,

L. Anita Thomas
Counsel

LAT/JP

E-mail: lcouncil@state.nd.us

Fax: 701-328-3615

Web site: <http://www.state.nd.us/lr>

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Operator's Signature

10/3/03
Date



Representative Thomas T. Brusegaard
 District 19
 2894 27th Avenue NE
 Gilby, ND 58235-9802
 tbrusega@state.nd.us

NORTH DAKOTA HOUSE

STATE CAPITOL
 600 EAST BOULEVARD
 BISMARCK, ND 58505-0360



COMMITTEES:
 Appropriations - Education and Environment
 Division, Vice Chairman

TESTIMONY HB 1396 REPRESENTATIVE THOMAS BRUSEGAARD

Mr. Chairman and Members of the Committee. What a pleasure it is to be in front of the Senate Ag Committee. Today, I would like to encourage your careful consideration and favorable consideration of **HB 1396**.

This bill would simply eliminate the requirement that all shareholders in a farming corporation have to be related. Shareholders would have to be **individuals** and would be **limited in number** to 15. The principal shareholder of the corporation must be actively engaged in operating the farm or ranch.

The whole point is to encourage outside investment in ND agriculture. This bill would provide an easy, well defined structure for this to happen.

The current law has not "Saved family farms" but it has limited producer option when it comes to acquiring capital.

This is not a repeal of our corporate farming law. It makes it better.

Vote for a **DO PASS** recommendation on **HB 1396**.

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Thomas T. Brusegaard
 Operator's Signature

10/3/03
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Testimony of Representative Ron Iverson
On HB 1396
Senate Agriculture Committee, Sen. Flakoll Chairman

For the record My name is Rep. Ron Iverson I represent the SW portion of Fargo and part
Of West Fargo.

I am here today to testify in support of HB 1396. My family one hundred years ago like many
North Dakota families life revolved around the family farm. Today that family farm is gone a
way of life that my father enjoyed is no more. I stood up on the house floor and spoke on behalf
of HB 1396. I told my fellow Representatives that what I knew about farming would not fit on
the back of a leaflet. But that is not because the desire to farm is not there. There was no
opportunity.

Due to circumstances beyond my control my Father, his brother and his sister chose lives away
from the farm and as my grandmother aged she sold off more and more of her land. In his later
years my father regretted this decision and wished there was away he could of kept farming.
Now here we are in 2003 people are still leaving the farm for reasons they only know and those
who would choose to stay are searching for ways to help their farming operations.

When I said what I know about farming would fit on the back of a leaflet that was a halfhearted
Comment because farming is a business and I do know quite a bit about that. The modern
Farmer is a small businessman and they have to manage risk. Much like other small businesses
Do and yes even corporations. Allowing outside investment in farming operations is a logical
Tool to help spread risk and raise capital. The great thing about HB 1396 is its voluntary if you
Choose not to use this tool you have the God Given right not too.

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Donna Hallmark
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Opponents of this HB 1396 are seeing the bogeyman where there isn't one and it is my sincere
Desire that this committee would allow me to fulfill my dream by investing in a farm.
I urge this committee in the STRONGEST possible terms to give HB 1396 a do pass.

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Demetrius Hallworth
Operator's Signature

10/3/03
Date

TESTIMONY ON
HOUSE BILL 1396

Good morning Chairman Flakoll and members of the Senate Agriculture Committee. My name is Dennis Feiken. I am a young farmer from LaMoure and I am just starting my career in production agriculture. I raise corn, soybeans and cattle. I and many young farmers like me support HB 1396.

It has been argued that credit is not a problem. Right now for me that is true because I have had a couple of good years. But many in production agriculture are not as fortunate. They have not built any equity and are hard pressed to acquire credit.

This bill seeks to relax the restrictions on membership and investment in a farm corporation or limited liability agriculture enterprise. Currently all members or shareholders of an incorporated farm must be related. This requirement would be removed. The bill would change language to state that the principle shareholder must be an individual actively engaged in operating the farm or ranch or at least one member of a limited liability company must be actively engaged in operating the farm or ranch.

The bill does nothing to allow large corporations to enter the farming industry in this state. It maintains the current cap on the number of shareholders that can be members. It requires that shareholder be an individual and a U.S. citizen.

I support HB 1396 because it will provide more opportunities for capital needed to expand or enhance my farming operation. There have been

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Dennis Feiken
Operator's Signature

10/3/03
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numerous bills introduced in recent years, and even in this legislative session, attempting to circumvent the corporate farming laws for the explicit reason that outside investment is desirable and necessary. If a distant relative or business partner wants to invest in a farming operation, they should be able. If a farm operator wants to bring in partners to make the operation more financially sound or to expand, that should be possible.

In these days of technological advances, increased real estate costs and intensive capital needs for inputs, it is difficult to understand why this state insists on restricting our ability to capitalize our operations to make them more viable and sustainable. Our citizens demand a cleaner environment. By using the technological advances available, I can site specifically place pesticides using GPS technology, saving me time and money and providing a cleaner environment through lesser amounts of pesticides being applied.

Who would want to invest in agriculture and why? There are many financially sound citizens of North Dakota that would embrace the opportunity to invest in our most valuable resource, young people. They would gladly invest in North Dakota's number one industry, as it still provides a valuable return on investment. They believe in the future and want to help our youth stay in North Dakota and build that future.

We need to look to the future. We need to expand our financial opportunities. We need to relax the restrictive corporate farming laws. We need to pass HB 1396.

Thank you. I would try to respond to any questions.

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Chairman Flackoll,
Members of the Senate Ag Committee

Thank you for the opportunity of addressing you today on House bill 1396.

My name is John Enderle, I farm near Taylor ND. Where I raise small grains with very little moisture. That aside I enjoy what I do and I think what I do is important.

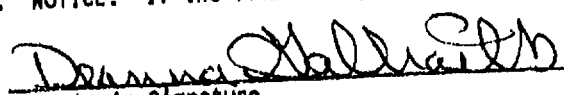
I am not immune from the difficulties of family farming in North Dakota, foremost among them is the raising of capital for investing in equity. I am fortunate to have a bank at my side that will go the distance with me, but in the current ag environment they can understandably go only so far. I don't have family to invest those kind of funds, where do I turn?

Farming in North Dakota is NOT a bad investment. If land can be purchased and rented out it will return about 6 or 7 % on the investment. Compare that to cd's or the current stock market and North Dakota in it is not a bad investment by any measure. People like me need all the tools we can get.

Whenever the government tries to address this problem I am told I am a victim. I cannot make it without a myriad of programs designed around the lowest common denominator. I have farmed for myself for 16 years and I grew up farming before that but have still failed to realize the prosperity in farm programs.

There would be options available to me with partnerships except for the liability involved. America is a free country, why can't I incorporate and raise capital from a willing investor from out side my family? I need the money, they need a safe place to invest it. We both need the tax and insurance advantages.

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I really need a no till drill and a better weed sprayer. This type of farm technology may be what keeps me and my family on the farm. The federal EQIP program has not yet been funded, and it may not be. I need another tool, one that is not subject to political whim, one that will not have a multitude of strings. Thomas Jefferson stated one should not be to quick to grab the bait until you perceive the hook within.

I am not here to say I have investors beating a path to my door waving one million dollar bills at me. But this bill would allow me and many others the freedom to find people interested in my way of life. There are many people out there who left North Dakota to do well elsewhere. Many who still feel connected to this wonderful state and would like to return in spirit. Many with money to bring back to North Dakota with the right investment environment.

House Bill 1396 will not drastically change the corporate farming laws in North Dakota. Others here will point that out far better than I.

House Bill 1396 will not open the flood gates of ADM's and Cargill's and Harvest States coming to buy North Dakota. They could have done that long ago.

House Bill 1369 will simply allow me and others like me a little more freedom in how I carry on my life on the farm.

Chairman Flakoll, Members of the Senate Agriculture committee,
Please support House Bill 1396 and thank you for your kind attention.

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Donna Hall
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10/3/03
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Testimony on HB 1396
Presented by
Brian Lougheed

Good morning Chairman Flakoll and members of the Senate Agriculture Committee. My name is Brian Lougheed and I am currently a sophomore at NDSU. I am here today in support of House Bill 1396.

As a college student, I am not certain whether I want to enter farming as my life's vocation. If I do, I want to have the same options as other businesses have in securing equity to operate my farming business. HB 1396 would give me that option and put me on a level playing field with other businesses in the state.


With extreme capital requirements necessary for land acquisition, machinery and advanced technology, finding equity sources to compete with other farming operations is critical. Producers that have been in business for several years and have established a positive equity position are in a better position to acquire credit when needed. Additionally, because of the equity interest the established producer has, it is easier to find that credit and is generally at a lower interest rate than is available to me as person with small equity position.

Certainly there are options such as the beginning farmer program. But often times those programs are overtaxed and underfunded and therefore not available. There may very well be private investment opportunities available that do not place me in a credit situation and that can actually place me in a better equity position thus allowing me to compete for lower interest rates and credit.

Mr. Chairman, many of my fellow college students support this bill. They see the need be on the cutting edge of technology. We cannot wait for ten or twenty years to be in a position to purchase and use this technology. We cannot be placed in a position of trying to compete with those operating 8320 John Deere when we are forced to operate a 4020.

Technology such as GPS systems that allow us to be more efficient and environmentally friendly in placing chemicals when and where they are needed rather than using a rag or clotheslines on the end of a sprayer boom, which allows overlap and unnecessary overuse of chemical. But GPS systems are expensive. Granted in the long run they will pay for themselves, but lack of

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equity can and will prevent my opportunity to use the technological advances now available and be on a level playing field with others in the agriculture industry.

Mr. Chairman and committee members, HB 1396 is not about the availability of credit. It is about giving me an opportunity to be in an equity position so that my credit cost is competitive with other in the agricultural production sector. It is about taking on partners that I am currently restricted from having so that I can compete. It is about free enterprise. It is about fairness and equity.

I encourage this committee to give me an opportunity, support HB 1396. Thank you. I will try to answer any questions you may have.

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10/3/03
Date



Administration:
1101 1st Ave N
P.O. Box 2064
Fargo, ND 58107
701-298-2200 • 1-800-367-9668
Fax: 701-298-2210

State Headquarters:
4023 State St
P.O. Box 2793
Bismarck, ND 58502
701-224-0330 • 1-800-932-8869
Fax: 701-224-9485

North Dakota Farm Bureau

www.ndfb.org

**Testimony of North Dakota Farm Bureau
On HB 1396
Senate Agriculture Committee
By Eric Aasmundstad, President
Thursday February 27, 2003**

Good morning Chairman Flakoll, and members of the Senate Agriculture Committee. My name is Eric Aasmundstad. I am a farmer from the Devils Lake area and President of North Dakota Farm Bureau. Thank you for the opportunity to present the opinion of our organization on this important piece of legislation regarding agricultural investment.

Farm Bureau does not view HB 1369 as a "corporate farming" bill as it is so often called. Rather we look at it as a rural investment act. HB 1396 will make it possible for any individual to invest in a farm or ranch in North Dakota. In addition, it will allow farmers and ranchers in our state the ability to pursue capital for operational expansion and diversification. Why should the stewards of the largest industry in North Dakota be denied the same opportunities as the rest of the business world?

This bill is not about letting multi-national conglomerates control the equity position of North Dakota agriculture, as some would have you believe. Quite the opposite. This bill is about solidifying the position of family farmers and ranchers. By allowing our farmers and ranchers to control the equity, yet take on investment partners, we open new doors to the development of agriculture.

HB 1396 requires:

- 1.) The investors must be individuals (**current statute**)
- 2.) The shareholders cannot number more than 15 (**current statute**)
- 3.) A trust or estate cannot be a shareholder if the beneficiaries of the trust or estate together with other shareholders number more than 15 (**current statute**)
- 4.) Each individual shareholder must be a resident of the United States or a permanent resident alien of the United States. (**current statute**)

One future. One voice.

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- 5.) Principal (majority) shareholder must be actively engaged in operating the farm or ranch (the family who works the land) (current statute)
- 6.) At least 65% of the corporation's annual average gross income must be derived from the farming or ranching operation (current statute)
- 7.) No more than 20% of the corporation's annual gross income can come from sources other than the farming or ranching operation (current statute)

In actuality, you see the only change to this section of statute is shareholders no longer have to be related. Clearly, there is no threat to North Dakota family farms and ranches by the large out-of-state corporations. The manner in which HB 1396 is drafted specifically excludes entities such as Cargill, Archer Daniels Midland, or Smithfield Foods from entering any agreement prescribed in this section of the Century Code.

HB 1396 is about investment capital. Opponents have stated that "access to investment capital isn't the serious problem that some might lead you to believe." Well let me then ask, if this is the truth why are the same people and organizations who supported SB 2327, the bill which would have allowed the State, through the State Mill and Elevator to take an equity position in private enterprise, so opposed to private individual investors participating in free enterprise? Could it be they believe it is acceptable for government to invest in private enterprise but not individuals?

In addition to the previous statement about investment capital, opponents are quoted as saying, "Farmers and ranchers are struggling to make a profit. Based on that, who would want to invest in agriculture?" Roger Johnson North Dakota Commissioner of Agriculture was quoted in many North Dakota newspapers saying, "This corporate farming measure begs the question: who would invest in a North Dakota farm or ranch and why?" While low commodity prices are big problem, not having ample credit available to diversify or enhance family farm operations is also a big problem. Defeatist attitudes will continue to cause North Dakota agriculture to struggle. A positive step forward is needed to move North Dakota agriculture into the twenty-first century. Many individuals, including myself, have already made significant investments in North Dakota agriculture and many more will, given the chance.

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We agree that the public supports and wants a family farm system of agriculture. The issue is how to ensure that those family farms have enough investment capital to remain viable. The assertion that, because a farm family takes on outside investors, they will suddenly only concern themselves with profits for the corporation at the expense of food safety and proper stewardship of land and livestock, infers that the majority shareholder and family members will suddenly change their ideals. Farmers and ranchers are out there doing what we do in large part for a love of the land and the pride that comes from providing the American consumer with the cheapest, safest, most abundant food supply in the world. To think these values will be compromised is ludicrous.

HB 1396 is about opportunity for the future of agriculture in North Dakota. It is about the revitalization of the family farm. Seventy years ago, when the anti-corporate farming laws were enacted, North Dakota had 86,000 farms. Today there are just over 30,000. The current laws have done nothing to stem the tide of out migration. This has to be stopped! Help save the family farm, help it prosper. Help us give young people an opportunity to grow and diversify right here in North Dakota.

HB 1396 is about the free enterprise system and our right to individual self-determination. How can the State of North Dakota deny a freedom protected by the United States Constitution.

Thank you for this opportunity to express our views. We respectfully ask you give this legislation a due pass recommendation.

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10/3/03
Date

Rep. Schmitt

LAND OWNED IN ONE COUNTY IN 1929 IN N.DAK.

DO WE WANT THIS TO HAPPEN AGAIN; THE PEOPLE WHO LIVE ON THESE CORP. FARMS WERE CALLED TENANTS

Minnesota Land and Loan Trust-----NW National Life
Merchants Bank St. Paul-----N Western Trust
Mutual Trust & Life Co.-----N Western Reality Co.
Minnesota Land & Loan-----Northern Investment Co.
Southern Title & Trust Co. Calif.-----North American Life Co.
Union Central-----Capital Trust Co.
International Harvester Co.-----Security Bank Detroit
Occidental Life Insurance-----NW Holding Co.
Pioneer Mutual-----Fidelity Mutual
First National Bank Minn.-----Mather Investment Co

By opening the door to outside investors this could happen again.

Price is the problem, Not capital. Our N. Dak Farmers and Ranchers Have Banks, Credit Unions, Farm Service Agency's all over our state.

We should all be working together to see that our producers get more money for their products, HB 1396 does not add a penny to a bu. Wheat or a lb of beef.

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10/3/03
Date

COMMISSIONER OF AGRICULTURE
ROGER JOHNSON



PHONE (701) 328-2231
(800) 242-7535
FAX (701) 328-4567

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 1396
Senate Agriculture Committee
Brynhild Haugland Room
February 27, 2003**

Chairman Flakoll and members of the Senate Agriculture Committee, I am Agriculture Commissioner Roger Johnson. I am here today to testify against HB 1396, which seeks to eliminate the "kinship requirement" in North Dakota's anti-corporate farming law. HB 1396 would, in effect, negate the purposefulness of the anti-corporate farming law in North Dakota.

HB 1396 is Poorly Constructed Legislation

There are many technical problems with HB 1396, which leave many questions unanswered and could potentially create serious loopholes in the anti-corporate farming statute.

HB 1396:

- **Eliminates reference to the kinship requirement.** Section 1, lines 8 & 9, of this legislation eliminate the kinship requirement. The elimination of this reference leaves

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undefined the term "class of individuals." What is a "class of individuals"? What is "a trust for the benefit of a class of individuals?" Removing the kinship requirement seems to make it possible for any individual, anywhere, to invest in a trust. However, such trusts seem to be prohibited on page two, lines 6-12.

- **Contains a drafting conflict: Is a stockholder or member an individual, a trust or an estate?** Section 2 of HB 1396 contains inconsistencies and contradictions with respect to the "family farm exception," establishing shareholder/member requirements for "individuals" in some cases (Section 2, lines 6 & 16), but leaving allowances for a trust or estate to be a shareholder in other parts of the section (Section 2, lines 13-15). Page two, line six clearly states that only "individuals" can be shareholders or members (i.e. trusts or estates are not allowed), but lines 13-15 at least imply otherwise. What really is the intent of these changes?
- **Does not define "principal shareholder."** Section 2, line 20, of the bill references a "principal shareholder," but neither the legislation (HB 1396) nor the current statute define what a principal shareholder is. "Principal shareholder" is not defined in this legislation. It is not defined anywhere in state law.

What is a principal shareholder? According to Barron's Dictionary of Finance & Investment Terms, "principal stockholder" is defined as a stockholder who owns a significant number of shares in a corporation. Under Securities & Exchange Commission (SEC) rules, a principal stockholder owns 10% or more of the voting stock of a registered company. A "registered company" is defined as a company that

Deanna Hallworth
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has filed a registration statement with the SEC in connection with a public offering of securities and must therefore comply with SEC disclosure requirements. Is this the definition that the authors of this legislation had in mind? If this definition is used and this bill is enacted into law, family farmers could clearly stand to lose both their capital base in the farm and their control over all decisions relating to the farm corporation.

- **Does not define "actively engaged."** Section 2, line 24, of the legislation provides that at least one of the members of a limited liability company must be "actively engaged" in operating the farm or ranch. Neither the legislation nor the current statute define what "actively engaged" might mean.

According to USDA, "actively engaged" is defined as: "An individual shall be considered to be actively engaged in farming with respect to a farming operation if the individual makes a significant contribution of: (a) Capital, equipment, or land, or a combination of capital, equipment, or land; and (b) Active personal labor or active personal management, or a combination of active personal labor and active personal management." What does that really mean? Current USDA interpretation of this provision is simply that the "actively engaged" farmer is one who owns some land and share rents it to someone else.

Is HB 1396 About Control or Capital or Both?

The many technical questions with this legislation beg the question: What did the authors of the legislation intend this legislation to do? My observations of the continued debate over corporate farming have lead to two main issues: capital and control.

Proponents of this measure continually say that farmers need more access to capital. While I agree that farmers and ranchers need adequate access to capital, I do not believe that HB 1396 is an appropriate or necessary way to address that need. Previous legislatures have created new beginning farmer programs that provide additional access to capital, and this legislature had opportunities to create similar tools, such as an equity trust fund for farmers (HB 1369). Those are the types of vehicles we should look to for increased access to capital.

Supporters of this legislation also minimize the potential effects that HB 1396 may have on the control and ownership of farms and ranches in North Dakota. HB 1396 leaves many unanswered questions – too many in my mind – with respect to who may farm and ranch in North Dakota.

Who will exercise control over this newly created corporate farm in North Dakota? There is nothing to prevent the corporate officers of the largest multinational corporations, XYZ Corp, from becoming the new shareholders of any number of new North Dakota corporate farms, transferring capital from XYZ Corp to numerous ND farm corporations and exercising substantial (perhaps even complete) control over the operation of such ND farm corporations!

If the intent of this bill was just to get capital into the hands of family farmers, this bill goes way beyond that intention and may very well hand over control of our farms and ranches to large corporate entities. In addition, outside entities that gain control of farm and ranch operations will have exclusive control over additional issues such as land access, hunting rights, etc...

Our Anti-corporate Farming Law Serves Us Well

The current anti-corporate farming law was overwhelmingly approved by North Dakota voters in 1932 and serves our state well. Seven other states have since enacted anti-corporate farming legislation. The state of Nebraska has gone further and has made an anti-corporate farming measure a part of their state constitution. Why would we weaken our anti-corporate farming law when only recently other states have enacted similar safeguards or strengthened their laws? We should be cognizant of the lessons others have learned.

Agriculture has changed dramatically since the 1930's, but the same economic principals remain in play. North Dakota is an agricultural state, and agriculture is one of our driving industries. If allowed, corporations will farm our land – either directly or indirectly through tenant farmers. The anti-corporate farming law is just as applicable today as it was seventy years ago and is responsible public policy. It is still necessary to protect the economy of our state and the welfare of our independent farmers and ranchers. Agricultural production should be reserved for individual and family enterprises, not corporate businesses.

States with Anti-corporate Farming Laws Fare Better

5.

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A study conducted by Dr. Rick Welsh, Clarkson University, and Dr. Thomas A. Lyson, Cornell University (August 2001) confirms something that we already know here in North Dakota – states that have anti-corporate farming laws fare better than those without anti-corporate farming laws.

Anti-Corporate Farming Laws, the "Goldschmidt Hypothesis" and Rural Community Welfare, found that... "in general, agriculture dependent counties in states with anti-corporate farming laws fared better (less families in poverty, lower unemployment and higher percentages of farms realizing cash gains) than agriculture dependent counties in states without such laws."

Why would we want to pass a law that would likely lead to more families living in poverty, higher unemployment and lower numbers of farmers making money?

Non-family Members Can Invest in Farms Under Current Law

Further, our current anti-corporate farming statute does not prohibit non-family members from investing in farms. There are many legal channels available (e.g. sole proprietorships, partnerships, limited partnerships, contracts for deed, secured or unsecured loans, etc...) for anyone – family or non-family members – to invest in a farming operation.

Changing the Anti-Corporate Farming Law Will Not Improve Prices, Prevent Economic Concentration, or Stop Outmigration

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Donna Hallworth
Operator's Signature

10/3/03
Date

As we are all well aware, prices remain low for many agricultural products and commodities. Changing or eliminating the anti-corporate farming law won't do anything about the low prices farmers receive for their products. In fact, it will likely exacerbate the problem.

Another major issue facing agriculture today is economic concentration, spurred by the corporate bottom line. The driving force for economic concentration is not economic efficiency but rather economic power, the exercise of which results in lower efficiencies, poorer services and ultimately higher prices for food. This bill would exacerbate economic concentration, precisely the opposite of what independent farmers and ranchers (and our consumers) need.

On the state level, agriculture needs tools to help farmers and ranchers develop and use new technologies, to grow new crops and livestock and to invest for themselves in grower-owned agricultural production, processing and distribution cooperatives. This bill would have the opposite effect.

Some have even argued that our current anti-corporate farming statute has not stopped outmigration. While that may be true, loosening the anti-corporate farming law will only hasten the demise of the family farm, thereby driving away the economic engine that supports the vast majority of rural North Dakota. HB 1396 will most certainly hasten outmigration, not prevent it.

Conclusion

The bottom line is that changing North Dakota's anti-corporate farming law through HB 1396 won't make agriculture profitable for North Dakota farmers and ranchers, nor will it keep people

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Deanna Hallworth
Operator's Signature

10/3/03
Date

on the land. It is much more likely to result in substantial statutory confusion, more economic concentration, less competition, more poverty, higher unemployment and increased outmigration.

Chairman Flakoll and committee members, I urge you to give HB 1396 a do not pass recommendation. I would be happy to answer any questions you may have.

8

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Deanna Hall
Operator's Signature

10/3/03
Date

North Dakota Farmers Union

PO Box 2136 • 1415 12th Ave SE
Jamestown ND 58401

PHONE: 701-252-2340 or 800-366-NDFU
FAX: 701-252-6584

E-MAIL: ndfu@ndfu.org
WEBSITE: www.ndfu.org



TESTIMONY ON HB 1396

Good morning Chairman Flakoll and committee members:

My name is Robert Carlson. I am the president of the North Dakota Farmers Union and our organization stands in strong opposition to HB 1396. We believe this bill is an unwarranted attack on North Dakota's system of family farm agriculture which is the foundation of our state's economy, society, and future. We believe agriculture is best left in the hands of individual entrepreneurs, who own the land and animals, rather than left to corporate investors.

The sponsors of HB 1396 say this bill is necessary to give producers needed access to investment capital and credit to expand their operations and diversify. Access to credit is not what's standing in the way of agricultural prosperity. There are plenty of lending institutions across this state that can finance ag operations. What's standing in the way of agricultural prosperity is low commodity prices and high production costs. When the cost of producing a commodity exceeds the price received, no amount of investment in machinery, land, or diversification will increase farm income.

What this bill is really all about is ownership of assets and land. Who or whom in North Dakota do we want to own our land and animals? Corporations or family farmers and ranchers?

This bill will allow corporations to own and control the agricultural destiny of North Dakota. It means,

MISSION STATEMENT: North Dakota Farmers Union, guided by the principles of cooperation, legislation and education, is an organization committed to the prosperity of family farms and rural communities.

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farmers and ranchers will have to compete against the bottomless pockets of corporations to buy, rent, or even access land. Opening up our corporation farming law in this way will not guarantee greater profits for farmers and ranchers. It will not guarantee more jobs. It will not guarantee greater patronage or economic returns for rural main street businesses. Why? Because corporations are focused on stockholder profits. If a greater return on investment can be realized for stockholders through volume discounts on crop protection products and inputs purchased outside the state, corporations will do so.

Mr. Chairman and committee members, there is no compelling argument to pass HB 1396. Current law already provides channels for non-family members to invest in agriculture — the very thing this bill claims to do. Through legal tools such as partnerships, loans, and contracts for deed, individuals can already invest in agriculture in North Dakota and they don't need to form a corporation to do so.

Furthermore, the language in this bill does not preclude the "principal shareholder" from being an out-of-state investor with a large financial risk in a farm or ranch. According to the IRS, an individual who is "actively engaged" in farming or ranching is someone with a financial risk. Which means, we would very likely have individuals or corporate shareholders in other states calling the shots on production agriculture in North Dakota. That is not the vision we want for North Dakota.

In past challenges to our corporate farming law, North Dakotans have voiced clear support for keeping production agriculture in the hands of families. Other states are now following North Dakota's lead by passing bans on corporate control of land, livestock and production, including Nebraska and South Dakota.

Since passage of Initiative 300, Nebraska's national share of cattle on feed has increased and put more control of cattle feeding into the hands of family ranchers, as well as hog production into the hands of family farmers. Since the passage of Amendment E in South Dakota, the loss of farms and ranches in our sister state has been reversed and is holding steady. Twice in four years, since the passage of the law in 1998, South Dakota voters have been asked to abolish Amendment E. Both attempts have failed because South Dakotans know the value of family farmers and ranchers to their state.

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Study after study has shown that communities and states do best when ag production is controlled by local farm and ranch families. Researchers at Clarkson University and Cornell University published a 20-year study that compared agriculturally-dependent counties in nine states (including North Dakota) that have anti-corporate farming laws to counties in states without such laws. The results were clear: Communities in states with anti-corporate farming laws have lower poverty levels, lower unemployment, and higher percentage of farms showing cash gains.

North Dakota's corporate farming law cannot single-handedly guarantee the existence of healthy, independent family farmers and ranchers. What it does guarantee is a level playing field that requires all ag participants to be liable for their actions and responsible to communities.

We have an ideal system of family farm agriculture in North Dakota. It is not a relic of the past. It is an ideal for the future which other states are emulating.

HB 1396 is not about economic development or investment capital. It is about opening the door to outside ownership of agriculture. And I believe that the vast majority of farmers and ranchers in this state do not support this legislation.

Sound public policy in North Dakota builds family farm agriculture...it does not crumble the very foundation upon which our state depends. We ask for your support of family farmers and ranchers by voting NO on HB 1396.

Robert Carlson, President
North Dakota Farmers Union

February 27, 2003
Senate Ag Committee Hearing

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Deanna Hallworth
Operator's Signature

10/3/03
Date

*packet
presented by Dave Sadowski*

February 22, 2003

Senate Ag Committee Chairman and Members:

I am writing in reference to HB1396. I strongly oppose this bill and would ask that you vote "NO" on HB1396.

I am a farmer from rural Hettinger County and unable to attend the hearing because of failing health.

This bill would eliminate the "family relation" requirement and opens up the door for corporations to own and operate farms in North Dakota.

Some say it will give farmers access to more credit to expand their operations. Farmers don't need more credit, that's not what's holding back rural prosperity on the farm. The cost of production of our commodities exceeds the price we receive for our products -- we need more farm income, not more access to credit.

The individuals and companies that will come to invest in our land and control our farms will not be concerned about our communities and citizens. They will be concerned about their own profits. They won't need to buy their products from our small town businesses ---- they'll be buying in volume from larger companies, probably from other states. Corporations will be devastating to our farmers and ranchers, as they will drive up rent costs and land prices. They will kill our communities and dry up our main streets. Letting corporations exist as this bill states will take farmers and rancher off the land, provide low-wage jobs, and less local spending.

I beg you to keep agriculture in the hands of families.

Oppose HB1396 and vote NO.

Thank you for your concern for rural North Dakota, and thank you for your time.

Sincerely yours,

*Martin Messer
P.O. 3 - Box 66
Mott N. Dak. 58646*

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Dennis Hallmark
Operator's Signature

10/3/03
Date

February 24, 2003

Senate Ag Committee Chairman and Members:

I am a retired farm wife from rural Hettinger County and unable to attend the hearing because of failing health.

I am writing in reference to HB1396. I strongly oppose this bill and would ask that you **vote "NO" on HB1396.**

This bill would eliminate the "family relation" requirement and opens up the door for corporations to own and operate farms in North Dakota. This bill is a huge change to our anti-corporation farming law. With the proposed HB1396 people and companies not even residing in our state would be allowed to own and control farm and ranch land. It would undermine the equity position of farmers and ranchers who cannot compete with the bottomless pockets of corporations to buy, rent, or even access land.

I have a son and daughter who presently farm. They would not have the resources to compete against big companies. I have a grandson who wants to farm and live here on the land. His future would be even more uncertain if corporation farming as proposed in HB1396 would become law. We have a current law that already provides channels for non-family members to invest in agriculture, and there is no reason to change it.

I strongly urge you to **keep agriculture in the hands of families.**

I ask you to oppose HB1396 and **VOTE NO.**

Thank you for your concern for rural North Dakota.

A very concerned mother and grandmother,

Anis Rutherford

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Dennis Hallmark
Operator's Signature

10/3/03
Date

Dear Senators on the Agriculture Committee,

In OPPOSITION, I would like to address a number of issues regarding HB 1396.

Our current anti-corporation farming law was established by visionary leaders. They realized that corporation farming is not the way of the future. Other states who have adopted such legislation are now backpedaling to strengthen their corporate farming laws. It has not been advantageous to those states.

This bill does nothing to guarantee anything for farmers and ranchers or for the people of North Dakota. There is no incentive for better prices, greater profits, better quality or safety of the food produced. There is no guarantee of more employment or retention of people in the state of North Dakota!

There is no guarantee there will be job creation, higher tax revenues, and expanded markets. It means low-wage jobs, less local spending, and one-way flow of profits out of our communities, and out of our state!

Please share this information with others and vote No on HB 1396

Respectfully,

Jamie Menak

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Deanna Hall
Operator's Signature

10/3/03
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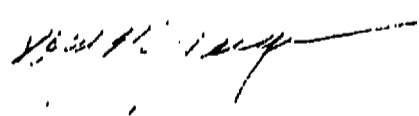
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Respectfully,



FROM :

FAX NO. :

Mar. 03 2000 11:55AM 13

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Respectfully,

Reuben Gladson

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Dennis Hallmark
Operator's Signature

10/3/03
Date

FROM :

FAX NO. :

Mar. 03 2000 11:59AM P5

Dear Senators on the Agriculture Committee,

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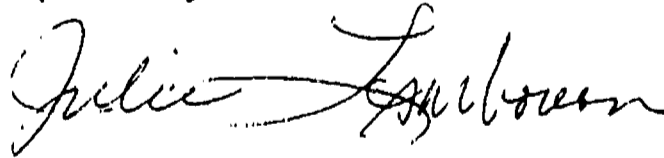
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Operator's Signature

10/3/03
Date

FROM :

FAX NO. :

Mar. 03 2000 11:59AM P4

Dear Senators on the Agriculture Committee,

Please vote in opposition to HB 1396.

The proposed changes to our anti corporate farming laws are big changes! To remove the concept of family, will completely go against our current law. It will allow corporation to own, operate and eventually run agriculture in this state.

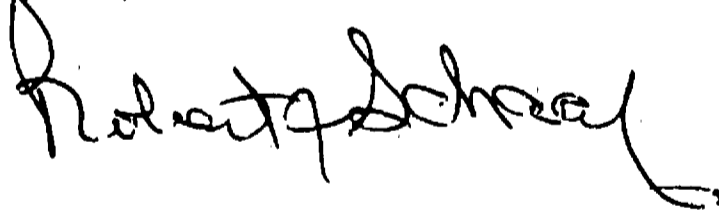
These corporations will ship in from out of state everything they need to operate these corporate farms. They will purchase gas, farm fuel, chemical, fertilizer and seed from other large corporations who because of their buying power will be able to give them better prices for their needed commodities. This will leave out mainstream North Dakota. Not just the small towns, but everyone!

Large corporations will headquarter in other parts of the country. Their employees will not be invested in the communities of North Dakota to any comparable extent.


The agriculture industry in North Dakota has seen North Dakota through the good times as well as the bad times. We are the backbone of North Dakota. We need legislation that supports and protects our interests, not legislation that sells us out. We legislation that increases the price for the commodities we have!

Please don't sell us out! Vote NO on HB 1396.

Thank you,



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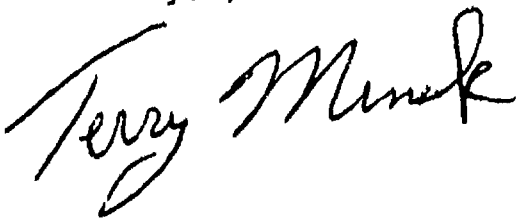
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Thank you,

Cheryl A. Holman

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Dennis Hallmark
Operator's Signature

10/3/03
Date

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Thank you,

Rogue Kodimas

Farmer Rancher Dunn County

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Thank you,

Joseph A. Armburst

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Dennis Hall
Operator's Signature

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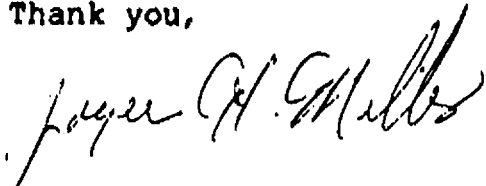
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Operator's Signature

10/3/03
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To Members of the Senate Agriculture Committee,

As a member of North Dakotas Agriculture Industry, I am opposed to HB 1396.

HB 1396 weakens the anti-corporation farming laws of North Dakota. It does not remedy any farm problems that we are experiencing now. The reality is that those in the agricultural industry don't need more "credit". We need a fair price for the commodities we produce. We have good interest rates at banks, beginning farmer loans along with financial incentive programs.

Our "non-ag" neighbors can now get involved with farming if they so desire. They can form partnerships, agree to contract for deed, offer secured and unsecured loans. In ND we have access to a number of legal options for people to invest in farming. The only catch is that now they have to assume some of the risk of being involved in agriculture!

Please vote no on HB 1396

Respectfully,

Wayne Murnak

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Dennis Hallquist
Operator's Signature

10/3/03
Date

FROM :

FAX NO. :

Mar. 03 2000 11:59AM P3

To Members of the Senate Agriculture Committee,

As a member of North Dakotas Agriculture Industry, I am opposed to HB 1396.

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Please vote no on HB 1396

Respectfully,

James Newton

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Dorinda Hall
Operator's Signature

10/3/03
Date

FROM :

FAX NO. :

Mar. 03 2000 11:59AM P3

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Please vote no on HB 1396

Respectfully,

Zari Schaaf

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Dennis Hallmark
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To Members of the Senate Agriculture Committee,

As a member of North Dakotas Agriculture Industry, I am opposed to HB 1396.

HB 1396 weakens the anti-corporation farming laws of North Dakota. It does not remedy any farm problems that we are experiencing now. The reality is that those in the agricultural industry don't need more "credit". We need a fair price for the commodities we produce. We have good interest rates at banks, beginning farmer loans along with financial incentive programs.

Our "non-ag" neighbors can now get involved with farming if they so desire. They can form partnerships, agree to contract for deed, offer secured and unsecured loans. In ND we have access to a number of legal options for people to invest in farming. The only catch is that now they have to assume some of the risk of being involved in agriculture!

Please vote no on HB 1396

Respectfully,

Orest. J. Baranko

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Dennis Halverson
Operator's Signature

10/3/03
Date

FROM :

FAX NO. :

Mar. 03 2000 11:59AM PJ

To Members of the Senate Agriculture Committee,

As a member of North Dakotas Agriculture Industry, I am opposed to HB 1396.

HB 1396 weakens the anti-corporation farming laws of North Dakota. It does not remedy any farm problems that we are experiencing now. The reality is that those in the agricultural industry don't need more "credit". We need a fair price for the commodities we produce. We have good interest rates at banks, beginning farmer loans along with financial incentive programs.

Our "non-ag" neighbors can now get involved with farming if they so desire. They can form partnerships, agree to contract for deed, offer secured and unsecured loans. In ND we have access to a number of legal options for people to invest in farming. The only catch is that now they have to assume some of the risk of being involved in agriculture!

Please vote no on HB 1396

Respectfully,

Tyrone R. Dike
2/25/03

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Dennis Hallworth
Operator's Signature

10/3/03
Date

FROM :

FAX NO. :

Mar. 03 2000 11:58AM P2

Dear North Dakota Legislators,

I am writing you today in opposition of HB 1396.

I am hearing that this bill will "open doors" for farmers and ranchers in ND. That is not the truth. Ultimately it will close doors to farmers and ranchers.

Even now in tough times, we have rancher competing with neighbor rancher to acquire enough feed for their cattle. We are struggling to make sound financial decisions. Can we afford to pay more for pasture rent? When does the price of hay get too high? When does breeding stock go to market because I can't afford to buy feed for them?

Opening the door to corporations with bottomless pockets is no answer and should not be considered an option. It will only weaken our Ag economy even more.

Keep in mind, it is not farmers and ranchers asking for this bill! It is not in the best interest of ND for this bill to become law!

Respectfully,

Marlene Monak

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Deanna Halverson
Operator's Signature

10/3/03
Date

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Mar. 03 2000 11:58AM P2

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Keep in mind, it is not farmers and ranchers asking for this bill! It is not in the best interest of ND for this bill to become law!

Respectfully,

Grace Vass
Box 387
Bowman, N.D. 58623

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Respectfully,

Donnell R. Voss

Box 387

Bowman ND

58023

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Donna H. H. H.
Operator's Signature

10/3/03
Date

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Respectfully,

Adrian D. Weir

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Deanna Hall
Operator's Signature

10/3/03
Date

February 26

Senate Ag Committee Chairman Flakoll
and Committee Members:

I am a 44 year old farm wife from
Hettinger County.

I am writing in reference to HB 1396.
I strongly oppose this bill & would ask
that you "Vote NO" on HB 1396.

My husband and I work side by side
out here on our farm/ranch. We are
calving now, so we are unable to attend
the hearing. Our children help us a great
deal and actually want to farm themselves
someday.

HB 1396 states "the corporation's principal share-
holder must be an individual actively engaged in
operating the farm or ranch." That "individual"
doesn't need to be a North Dakota resident.
That "individual" doesn't need to reside on a
farm or ranch either. That "individual" can be
from another state. He could be someone who
has a large financial risk in a farm or
ranch, that "individual" could then be
defined as "actively engaged" in that operation.
That "individual" could invest huge amounts
of money into land next to my farm, or
(yours if you have one). My children want
to farm someday - they would not be able

Dorinda Hallmark
Operator's Signature

10/3/03
Date

to compete with the price of land or
land rent driven up by someone with
huge amounts of money.
Landowners, or investors, who are not
out on the land and don't reside near
by — don't take care of the land and
don't care about the communities around
them. They are only interested in their
own bottom line. They will be looking
for profits. Profits that will go to
another state. They won't go downtown
in my community either. They'll buy
in big quantities for big volume discounts
elsewhere — not investing in rural
North Dakota.

I love my state and want a future
here for my children and grandchildren.
HB 1396 will be detrimental to our
state. I beg you to oppose HB 1396 and
VOTE NO.

Thank you,
Sincerely,

Janice Ottmar
Rte 3 Box 30
Mott ND 58646

Re. HB 1396

Mott, ND 58646

Feb 24, 2003

Open letter to North Dakota
Legislators

As an owner of a family
size farm since 1941, I am
concerned about HB 1396
which would enable
non-family related members
to become members of
Farm Corporations.

I do not see how changing
requirements of Corporate Farms
would be beneficial to our
state or to North Dakota small
farms. Please do not allow
this to happen.

Sincerely,

Martha Hoffmann

RR1 Box 52

Mott, ND 58646

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Danna Hallworth
Operator's Signature

10/3/03
Date

**Allen L. & Randeen Schulz
Rural Route 1, Box 41
Mott, North Dakota 58646**

February 24, 2003

North Dakota Senators hearing Corporate Farming Bill 1396:

We are writing to you to encourage you to vote "NO" on the Corporate Farming Bill HB1396.

We ask you to vote against this bill to keep the "FAMILY RELATION" requirement as it currently reads, whereas members of a ND Corporation have to be related by blood or by marriage.

We do not want to see the Family Farm operation die! We are working hard and doing our best to carry on family farming operations in this great state. We feel the fact that North Dakota has kept this states virtue Family Farm orientated says a lot for the people of North Dakota.

Some people feel that by passing this bill, that it would give credit to farmers to expand their operations; but ample access to credit already exists in the state and most farmers obtain it without a problem.

Passing of this bill will not stop the outmigration that is occurring in North Dakota. This bill will further depopulate North Dakota.

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Dennis Halverson
Operator's Signature

10/3/03
Date

The passing of HB1396 will not help grow rural economies, jobs, and businesses in North Dakota. Corporations are focused on stockholder profits. If a greater return on investment can be made for stockholders through volume discounts on crop protection products and inputs purchased outside the state of ND, corporations will do so.

If this bill passes, it will allow corporations to own and control farm and ranch land in North Dakota without any of them needing to be a North Dakota resident residing on the farm or ranch.

The American public supports and wants food produced in a family farm system of agriculture. Opening the door to corporate farming under the guise of job creation, higher tax revenues, and expanded markets is foolhardy. Corporation farming means low-wage jobs, less local spending, and one-way flow of profits out of communities.

Please don't take the "Family Farm Relationship" out of North Dakota. KEEP AGRICULTURE IN THE HAND OF FAMILIES....something North Dakotans have valued for generations. Please vote "NO"!

Sincerely,

Allen L. & Randeem Schulz

*Allen L. Schulz
Randeem Schulz*

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Dennis Hallworth
Operator's Signature

10/3/03
Date

February 25, 2003

Senate Ag Committee Chairman and Members:

I am a 48 year old farmer from rural Hettinger County. I started farming with my brother in 1974 and am now on my own on my grandparents farm with my wife and 2 younger children. I have 2 boys that have already left the farm, one of which dearly wants to come back.

I am writing in reference to HB1396. I strongly oppose this bill and would ask that you vote "NO" on HB1396.

States with "anti-corporation" farming laws fare better than agriculture-dependent states without such laws. There is less unemployment, less families in poverty and higher percentages of farms realizing cash gains.

I truly believe this bill would be a death notice for our small towns immediately, which in turn would affect the states general fund. A corporation will buy its inputs and services where they best reflect a return for their business. This buying would more than likely be direct purchases from out of state. Consequently the profits these corporations make would also be spent out of state.

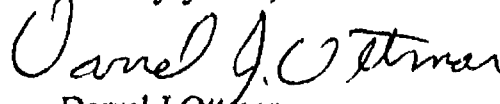
We need to kill this bill to save our small towns and the whole state.

I urge you to keep agriculture in the hands of "Local Families" and help keep our main streets open.

Again, I ask you to oppose HB1396 and VOTE NO.


Thank you for your time.

Sincerely yours,



Darrel J Ottmar
Rte 3, Box 30
Mott, ND 58646

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Operator's Signature

10/3/03
Date

Re: HB-1396

2-24-03

Dear ND Legislators -

Please do not change The current Corporate Farms requirements. Allowing outside interests will not improve our farm economy. Large farms do not purchase their equipment or supplies from main street businesses.

Keeping The requirements now in place will insure that North Dakota will not become another Montana.

Sincerely,

Judy Hoffman

RR 1, Box 52

Mora, ND 58646

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Diana Hollenbach
Operator's Signature

10/3/03
Date

MEMO

February 24, 2003

North Dakota State Senators:

We are asking you to vote "No" on House Bill "HB1396".
This Bill concerns "Corporate Farming".

Sincerely,

Connie Haberstroh

Connie Haberstroh
503 Iowa Ave.
Mott, ND 58646

Leslie Haberstroh

Leslie Haberstroh
503 Iowa Ave.
Mott, ND 58646

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Dennis Halverson
Operator's Signature

10/3/03
Date

Dear North Dakota Legislators,

I am writing you today in opposition of HB 1396.

I am hearing that this bill will "open doors" for farmers and ranchers in ND. That is not the truth. Ultimately it will close doors to farmers and ranchers.

Even now in tough times, we have rancher competing with neighbor rancher to acquire enough feed for their cattle. We are struggling to make sound financial decisions. Can we afford to pay more for pasture rent? When does the price of hay get too high? When does breeding stock go to market because I can't afford to buy feed for them?

Opening the door to corporations with bottomless pockets is no answer and should not be considered an option. It will only weaken our Ag economy even more.

Keep in mind; it is not farmers and ranchers asking for this bill! It is not in the best interest of ND for this bill to become law!

Respectfully,

Roger Kelly m

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Dennis Hall
Operator's Signature

10/3/03
Date

Town



Farmers Union
Insurance
"You're never alone"

Country

Business

Personal

Commercial

Most of the beginning wealth comes from the farms, when they prosper so does everyone else - especially the main street businesses in our rural towns and other cooperatives only focus on making a profit for their investors.

To protect our people in the future it is necessary for everyone to make now on the cooperation farming bill.

Wm. J. M. Living
New England, N. H. 58247
R. 1 Box 39
Phone 579-4624
District 36

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Deanna Hallworth
Operator's Signature

10/3/03
Date

N. D. Farmers Union

please vote against
Corporate farming

A landowner

Tallie Rosenow

Adams County

Hettinger N D

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Deanna Hall
Operator's Signature

10/3/03
Date

We are opposed to HB 1346

Connie Jackson
Donald Angeman
Kevan Stanger
Larry Jackson
Judy Robertson

RR 2 Box 64 New England
Box 1192 Hettinger, ND
1106 Tehave N.D. Hettinger
Box 154, Reider, N.D. 58649
501 1st Ave East Reider N.D. 586

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Deanna Hallworth
Operator's Signature

10/3/03
Date

Main Identity

From: "Jeri Lynn & DeJon Bakken" <jdbakken@sdplains.com>
To: "Connie Kathrein" <ndbeef@pop.ctctel.com>
Sent: Tuesday, February 25, 2003 9:35 PM
Subject: Letter to Senators

Bakken Ranch

2307 5th Ave NE, Lemmon, SD 57638 -- phone: 701/376-3333

fax: 701/376-7077 -- email: jdbakken@sdplains.com

Dear Senators,

I oppose HB 1396. My name is DeJon Bakken and I farm and ranch in Adams County with my wife and two children.

Supporters say HB 1396 will give farmers access to credit they need to expand. Credit is not the problem, low commodity prices are.

Supporters say it is not about letting multinational companies control the equity positions of agriculture. It is about opening new doors to farmers and ranchers. HB 1396 will allow corporations to own and control farm and ranch land in North Dakota. It will undermine the farmers and ranchers that have to compete with the big corporations to buy, rent or even access land. HB 1396 closes doors on producers.

Supporters say that the anti-corporate farming law has done nothing to stop out-migration or save family farms. HB 1396 will only add to the problem of out-migration! If corporations are allowed to invest in land in our state and run land prices up, more people will be leaving the state.

Supporters say HB 1396 will help grow rural communities and jobs in North Dakota. HB 1396 does not guarantee greater profits for farmers and ranchers or greater patronage of rural main street. If corporations can get a volume discount out of state they will do so to keep their stockholders happy.

Supporters say corporate farming is the way of the future. However, several states that have had corporate farming are now attempting to strengthen their laws to keep agriculture in the hands of family farmers.

Family farm agriculture is the cornerstone of North Dakota's economy and society, please don't throw it away.

Please Vote NO on HB 1396.

Thank You
DeJon Bakken
Adams County

2/26/2003

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DeJon Bakken
Operator's Signature

10/3/03
Date

Main Identity

From: "Bill and Connie Hourigan" <hourigan@sdplains.com>
To: <ndbeef@pop.ctctel.com>
Sent: Tuesday, February 25, 2003 6:37 AM
Subject: 1396

Good Morning Connie

I have enclosed a letter for you to print out and take to the Senate Ag Committee hearing, that will save you a trip. Thanks for doing this.

Members of the Senate Ag Committee:

We are fourth generation farmers and would like to see the family farmers stay in North Dakota. We urge you to vote **NO** on Senate Bill 1396. Our current law already provides channels for non-family members to invest in agriculture.

Thank you for your time on this.

Bill and Connie Hourigan

Adams County

2/26/2003

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Deanna Hallmark
Operator's Signature

10/3/03
Date

February 25, 2003

To: Members of Senate Agriculture Committee:

I am opposed to Senate passage of House Bill 1396 which changes the Anti-Corporation Farming Law by allowing outside corporations membership.

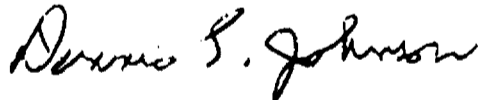
Access to credit from non-family corporations is not what's holding North Dakota agriculture back. It is simply the prices we receive for our agriculture products due in part to big corporation marketing control. In my area, the big farmers are getting bigger every year - credit isn't holding them back. Out migration from farming and North Dakota is continuing to happen without escalating it by allowing big corporation funding of the state's farming industry. Spend your time and efforts on marketing and pricing legislation.

The Anti-Corporation Farming Law currently allows family member farming in North Dakota. This bill will change that complexion. Out-of-state big corporations can become the principal operators of the farm by this bill. There goes the "family farm" that North Dakota has prided itself with and which other states are trying to model after.

Our current anti-corporation farming law allowing family corporations is doing its share of hurting small town main street. Bigger corporate ownership would only accelerate main street decline through bidding for supplies and services, low-wage jobs, and profit leaving the towns and North Dakota.


Our state and this legislature have enough problems to deal with right now without adding to our state's agriculture problems by approving HB 1396. Vote it down.

Dennis L. Johnson



Farmer - Rancher, Adams County
Reeder, North Dakota 58649

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Operator's Signature

10/3/03
Date

February 23, 2003

Dear Senators,

Would you share this with your members of the senate when you discuss **House Bill 1396**.

I am not in favor of this bill passing.

Access to credit is not what is standing in the way of agricultural prosperity, low commodity prices are. When the cost of producing a commodity exceeds the price received, no amount of investment in machinery, land or diversification will increase farm income.

I worry about how this bill removes the "family relation" requirement and allows corporations to engage in production agriculture. Our current law already provides channels for non-family members to invest in agriculture.

House Bill 1396 will allow corporations to own and control farm and ranch land in North Dakota. Undermining the equity position of farmers and ranchers who will have to compete against these corporations to buy, rent and even access. I am afraid this bill ultimately closes doors to producers. It undermines family farm agriculture which is the **cornerstone of North Dakota's economy and society**.

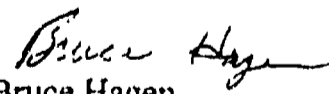
Also, the bill states "the corporation's principal shareholder must be an individual actively engaged in operating the farm or ranch." That individual does not need to be a North Dakota resident or reside on the farm or ranch. An out-of-state investor with a large financial risk in a farm or ranch could certainly be defined as "actively engaged" in that operation.

I worry about our local businesses because of this bill. If a greater return on investment can be realized for stockholders through volume discounts on crop protection products and inputs purchased outside of the state, corporations will do so.

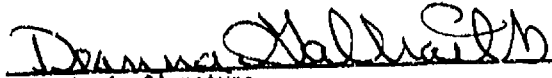
Many states that have welcomed corporation farming are now attempting to strengthen their laws to **Keep agriculture in the hands of families**, something North Dakotans have valued for generations. Opening the door to corporate farming under the pretext of creating jobs, higher tax revenues, and expanded markets is reckless. Corporation farming means low-wage jobs, less local spending, and one-way flow of profits out of communities.

Please vote **NO** on HB 1396.

Thank you.


Bruce Hagen
1406 15th Avenue NW
Reeder, ND 58649

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Also, the bill states "the corporation's principal shareholder must be an individual actively engaged in operating the farm or ranch." That individual does not need to be a North Dakota resident or reside on the farm or ranch. An out-of-state investor with a large financial risk in a farm or ranch could certainly be defined as "actively engaged" in that operation.

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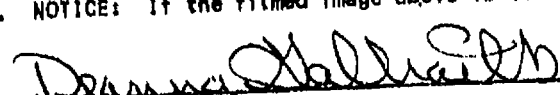
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Please vote **NO** on HB 1396.

Thank you.


Cheryl Hagen
1406 15th Avenue NW
Reeder, ND 58649

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Operator's Signature

10/3/03
Date

WD

WESTERN DAKOTA IMPLEMENT

PO Box 630 • 107 SOUTH 4TH STREET • HETTINGER, ND 58639

701 567-4505 FAX: 701 567-4506

To whom it may concern
we do not need competition farming.
Please vote against HB 1396. Rural
small town north Dakota is struggling
not to survive we do not need less
and bigger farms.

Please do not support H.B. 1396

Thank you

Don Davidson

"WE GIVE SERVICE"

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Donna Hallworth
Operator's Signature

10/3/03
Date

Attention
North Dakota House of Representatives
Bismarck, ND

Subject: House Bill # 1296 Allowing corporate farming in North Dakota inspite
Of the fact that such a bill has repeatedly been defeated in the last fifty years

It seems to me that this state has many more important matters to address
I have lived in this state for fifty years since we were married on a farm. It is hard
To find a reason for such a bill. The only reason that I can see for such a bill is
That it would go hand in hand with the bill that would eliminate income taxes
For corporations. At one time, there was law that allowed North Dakota
Corporations to be exempt from income taxes. I assume this exemption is still
In place.

There is really no need for such a bill. The state of Nebraska has laws to prevent
Corporate farming. Every thing that you read indicates that the state has profited
From such a law. We already have other avenues to pursue that are workable for
Agriculture. Agriculture has problems. This state has a very big problems with
Our population leaving the state. Our state is fortunate that we do have assets.
However, now as in the past hundred plus years, we have had a problems with
Corporations that took the profits from our state elsewhere. Many corporations
In the past never felt the need to pay a living wage or a fair price for our
Products.

Events of the last several years have really tainted the word corporation.
It is hard to believe that the Enron disaster has had an effect in our area
It is very apparent that Enron and other companies felt no obligation to
The stockholders and the employees.

We hope that you will defeat the bill to allow corporate farming. It seems
To us that advancement of corporate culture climate is not in the best
Interest of the citizens of this state.

Kaye Schoeder Farm at SE1/4 Section 8 Township 132 Range 07
Dale Schoeder
1905 10th St NW
Reeder, ND 58640-9131
Telephone 701-853-2390

Feb 24, 2003

Senate Ag. Committee
and all Senators

We are writing this letter to strongly encourage you to Kill the House Bill 1396 that deals with corporation farming.

We can't attend the hearing on Thurs. because of our off farm jobs which help us to support our farming operations. This bill eliminates the "family relation" requirement and opens the door for corporations to own and operate farms in ND.

We have been actively farming for 40+ yrs and have always been against corporation farming every time it has been brought up in the legislature.

Remember to vote NO on Corporation farming.

Sincerely,
Allan + Virginia Earls
1108 18th Ave. NW
Reeder, ND 58649

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Dennis Hallmark
Operator's Signature

10/3/03
Date

Every farmer, in the state of North
Carolina, have to be forced to compete with
corporations. Every ^{will} only drain our state of
every profit we may be able to realize.

Business credit is not standing in way of
our agriculture prosperity and community
prices are. The money ~~is~~ money we
farmers invest in our farming practices
will ^{not} change that.

Corporations will only focus on their stock-
holders profits as their profits will all go
out of state or out of the community, while we
farmers don't only try to support our families
we also help our main street businesses
when we farmers prosper every one prospers.
So every one will benefit if every state "NO"
on H.B. 1396 to large corporation farming out
of North Carolina

Dagna Melling

1123 3rd Ave E

New England N. 12, 58647

District 36

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Dagna Melling
Operator's Signature

10/3/03
Date

**STATEMENT OF
Karl Limvere, Chairperson
RURAL LIFE COMMITTEE
NORTH DAKOTA CONFERENCE OF CHURCHES**

**HOUSE BILL # 1396
CORPORATE FARMING AMENDMENT**

**February 27, 2003 HEARING
SENATE AGRICULTURE COMMITTEE**

Mr. Chairman. I am Karl Limvere, Pastor of the Zion United Church of Christ of Medina. I serve as the chairperson of the Rural Life Committee of the North Dakota Conference of Churches.

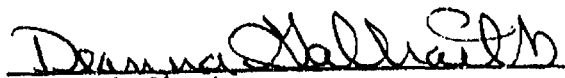
The opportunity of land and how it is distributed is one of the most fundamental questions that faces any society. Land is a sacred trust in our relationship with each other and with our understanding of the divine. The Biblical heritage of the Judeo-Christian community puts our relationship with land and land ownership at the very center of our understandings of justice.

The North Dakota Conference of Churches and its Rural Life Committee have established goals and objectives defining the common good for rural America. We believe that ultimately, the test of any agricultural or economic policy is a moral one. Public policy must put human needs ahead of economic profits. It must recognize the dignity of humankind and preserve the integrity of God's creation. It must foster community accountability and responsibility and self-governance to give the rural community greater control over its destiny. It must create broad-based ownership and opportunity for all. It must strengthen the family, the community and the society."

Land cannot be treated as a commodity. Just as the Homestead Act signed by President Lincoln sought to create an abundance of opportunity for settlement of the West by independent operators, how we, as a state, govern the ownership of agricultural land resources determines the kind of opportunity that our land provides to future generations.

The North Dakota Conference of Churches and its Rural Life Committee envisions and supports the development of a rural society that promotes the greatest potential number of diversified family farming/ranching opportunities possible. We support a widely dispersed structure of agriculture production with broad-based ownership that is dominated by resident, owner-operator, family farms and ranches.

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I live in a community that was primarily settled by Germans from Russia. From them, I have learned an old German proverb. "The best fertilizer for the land is the footprint of its owner."

We support authentic development in agricultural production systems that enhance family and community life, food security and the stewardship of creation. We oppose public policies that encourage or enhance the industrialization and corporatization of agricultural production. Agricultural industrialization is not defined as the use of technology, but instead it is the separation of capitalization, management and labor components of agriculture into separated and distinct functions. Corporatization is also the process of moving ownership and or control to off-farm investors and into vertically and horizontally integrated corporate structures.

We specifically believe that non-family farm corporations should not be allowed to engage in the productions of crops, livestock, produce fibers or other agricultural commodities. Family farm corporations should be strictly regulated and monitored to ensure that they serve the goals and objectives of maintaining a family-farm system of agriculture. Corporate farming laws should be strengthened and effectively enforced. We oppose the weakening of such laws.

House bill 1396 would delete the key provision of our state's corporate farming law: the provision that currently requires the corporation to be a family farm. I have been involved in agricultural policy for some three and a half decades. I have seen this particular approach numerous times before this legislative assembly. What you would have left under this bill is a subchapter S corporation, which is designed to meet specific requirements of the federal tax code, but has nothing to do with any real or meaningful restrictions in terms of agricultural or land resources.

This bill not only guts the corporate farming law, but it also guts the carefully crafted legislative compromise that shaped the current law when it was updated in the 1980's. That compromise provided for increased enforcement capability of the law, while allowing farm families to incorporate. Nothing has changed that significantly in agriculture since that time to justify breaking that delicate compromise.

If this bill were to become law, there would be little reason to maintain any of the other provisions of North Dakota's restrictions on corporate farming. The bill would gut the law and would open our state's agricultural resources to unfettered corporate farming. It would foster a new round of economic cannibalism within our farm community. It would encourage the industrialization of agriculture and the transfer of ownership of agricultural land resources and production to off-farm interests.

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Deanna Hallworth
Operator's Signature

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This legislation would serve the interests of an economic elite at the expense of what we know as the family farm system of agriculture and the communities those family-farms support. It would reduce the opportunities of land in the profession of farming and ranching for a new generation on the land.

Our rural communities are facing sufficient challenges as it is. Opening this door simply pushes them over the edge.

There is a close interrelationship between a healthy family-farm structure of agriculture and healthy rural communities. This has been repeatedly verified by sociological studies. The structure of agriculture that surrounds a community is just as important as the price that farmers receive for their commodities in gauging the health of agricultural towns.

All of us recognize that farmers, rural communities, and all of rural America have faced significant difficulties in recent times. We have faced the forces of nature and experienced short crops due to drought, disease, and other perils. We have also faced the forces of economics and politics, which have further tested the limits of endurance of family farmers and the family farm system. Most of these things are beyond the control, scope or capacity of state government to handle or address.

Therefore it is particularly important that in the one area in which the state government can and does set policy – the regulation of farming by corporations – that the state government should place its support, hope, and vision with the family farmer and rancher.

Rather than facilitating the corporatization and industrialization of agriculture and extending an invitation to make North Dakota more of an economic colony, we need to resist these forces, including this legislation, with every fiber of our political and economic will. Instead, the legislature should be seeking out and developing innovative approaches that would encourage a new generation to establish homesteads within the profession of family farming and ranching.

I would urge this committee to give this legislation a "do not pass" recommendation and for the North Dakota Senate to vote to kill the bill.

Thank you.

Respectfully submitted,

Karl Limvere, Chairperson
Rural Life Committee
North Dakota Conference of Churches
PO Box 725, Medina, ND 58467
zionucc@daktel.com

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Deanna Hallmark
Operator's Signature

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NORTH DAKOTA CONFERENCE OF CHURCHES

Member Denominations:

American Baptist Churches of the Dakotas
Church of Brethren, Mon-Dak Area
Church of God (Anderson)
Episcopal Diocese of N.D.
Evangelical Lutheran Church in America, Eastern ND Synod, Western ND Synod
Moravian Church in America, Northern Province
Presbyterian Church, U.S.A., Presbytery of the Northern Plains
Religious Society of Friends (Quaker)
Roman Catholic Church, Bismarck Diocese, Fargo Diocese
United Church of Christ, Northern Plains Conference
United Methodist Church, Dakotas Conference

Associate Members:

Catholic Family Service
CHARIS
Church Women United
Home on the Range
Jamestown College
Lutheran Social Services of North Dakota
University of Mary
North Dakota Chaplains Association
Unitarian/Universalist Fellowship
The Village Family Service Center

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Denise Halverson
Operator's Signature

10/3/03
Date

Copies for all

*Senate Ag. Committee
on Corporation Farming Bill*

Senate testimony. Feb. 27 2003

My name is Rodney Nelson. My wife Teri and I have a small cattle ranch at Almont. I am here to testify against this bill.

For the life of me I cannot see how this bill could be of any benefit to me, my neighbors, or any average North Dakotan. I am even surprised to see that a bill that would benefit so few and could harm so many, would even be up for consideration.

I keep a few replacement heifers every year. I try to keep the best heifers and sell the rest. It is too bad North Dakota doesn't follow the same policy. The best crop this state has ever produced is our people. For too many years we have exported the cream of the crop and kept the rest. Maybe that explains why this bill keeps coming up.

Many of you know me as a cowboy poet and rural humorist. I was speaking at a meeting in Nevada one time and a fellow came up to me after my presentation and asked me if I ever wrote any funny poems about hired men. "No" I told him, "I am too close to that position myself. Besides, I never heard of a hired man who had a good job." The man walked away disappointed but I meant it.

All I ever really wanted to do was own and operate my own ranch. I wanted to live that life because I understand and appreciate the freedom and satisfaction that comes from being your own boss. That very freedom gives me the opportunity to testify at this hearing this morning.

I feel fortunate that I was able to raise my children in such an environment. I have a very humble operation but when we ride out in the pasture I am proud that my kids can say those are our cows, not Mr. so and so's cows.

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I know of a hog operation in southern Iowa that runs 100,000 sows. They say on a good day, or a bad day, depending upon how you look at it, you can smell that hog operation up to thirty miles away.

Sometimes when I get really frustrated, I wish there was a comparable hog farm right on the NW corner of Bismarck so our legislators could have a constant reminder of just what corporation farming could do for North Dakota.

For some seventy years, North Dakota has stood strong against corporation farming. I am hoping our senators will find the "right thing" easy to do, and will soundly defeat this bill.

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Deanna Hallmark
Operator's Signature

10/3/03
Date

Roger Zetoch

(TF)

I would like to respectfully express my opposition to the corporate farming bill.

First of all memories in this state are shorter than I realized. The Russian grain deal of the early 1970's created a big problem for farmers in this state and through out the nation. We had excellent prices for our wheat and durum in part of 1973 and 1974 over \$6-\$8 per bushel for wheat and durum during the same time went to over \$10 per bushel. It was happy times and also the beginning of some very very sad times.

Suddenly the sky seemed to be the limit. Bankers were saying your equity has increased. We want to borrow you more money. Farmers came in to borrow \$10,000 - \$15,000. For example, and bankers said heck we think you should borrow \$50,000. And convinced a lot of farmers to borrow the additional funds. How often does the average farmer say no to the banker especially to something like that!!!

Remember also the cost of production was a lot cheaper then. Fuel was 19 to 20 cents a gallon, gas a little more. Fertilizer was about \$80 per ton. (The various suppliers all carried farmers until fall.) A 150 horsepower tractor cost around \$20,000 give or take a little depending on options. Today fuel is way over \$1.30 per gallon, gas is over \$1.50 per gallon. Fertilizer \$200 to \$250 per ton. (And it's all cash up front no carry until fall any more.) And that 150 horsepower tractor (which is considered small by today's standards) is well over \$50,000.

Then the sad times started to creep in. Remember now that in less than a year the wheat and durum prices had dropped to below what they were before they spiked. Land prices on the other hand went up and stayed up for several years. I think about 12 to 15 years. (Now the banks were gutting real nervous.) There had been several years of low prices along with droughts, embargoes, sanctions, 15% plus interest rates etc. The equity which the lending institutions had been so willing to loan was now gone disappearing. Farmers were up to their necks in debt. Many were unable to pay their debts and some were forced to sell their land. The banks were not willing to lend anymore. And many farmers were forced to sell their land and some loaded up farmers with disaster money. The banks said it best when to say "Farmers came to borrow money and we loaned them the money and if things went bad you've got to pay equity, home borrow money, pay taxes, etc." Then the things fell apart and it was the end of the 1970's and 1980's. (1)

Best Copy Available

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Operator's Signature

10/3/03 Date

Again it's not lack of available credit. It's lack of good prices for the commodities produced. It's sad when you realise that there is only about 5 cents worth of grain in a box of cereal or loaf of bread. Both the farmer and the consumer are being ripped off.

"OH HOW SHORT OUR MEMORIES". IT'S NOT LACK OF CREDIT TO FARMERS, IT'S LACK OF GOOD PRICES FOR OUR COMMODITIES AND A MISS UNDERSTANDING THAT MORE CREDIT IS THE ANSWER. "YOU CAN NOT BORROW YOURSELF OUT OF DEBT". LEARN FROM THE HISTORY OF THE PAST FEW DECADES. CHANGING THE CORPORATE FARM BILL IN NORTH DAKOTA WILL ONLY CREATE MORE PROBLEMS. HIGHER COMMODITY PRICES IS THE REAL ISSUE. IF ANY THING A STRONGER ANTI-CORPORATE FARM BILL WOULD BE IN ORDERED.

WHERE DID I GET ALL MY INFORMATION ABOUT THE PAST FEW DECADES. I WAS THERE I WAS A FARMER THAT LIVED THROUGH IT. A LOT OF MY FRIENDS DIDN'T MAKE IT. IT WASN'T BECAUSE OF LACK OF CREDIT. IT WAS LOW PRICES FOR OUR COMMODITIES. REMEMBER YOU CAN NOT BORROW YOURSELF OUT OF DEBT. I KNOW I WENT THROUGH IT.

Respectfully
Roger Zetochka
Roger Zetochka
Stinson, N.D.

(3)

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Dennis Hall
Operator's Signature

10/3/03
Date

copy for all.

Good Morning, Mr. Chairman and members of the Committee. My name is Lance Gulleon from Rutland North Dakota. I am 20 years old and a junior at NDSU majoring in Ag Engin.

Thank you for allowing me the opportunity to express my concerns regarding HB 1396 and to share my experience as my brothers and I explore a future in farming. I don't know what my future holds, but I know that I love the farm and the lifestyle that comes with living there.

Four years ago my two brothers and I began a haying and cutting business. It started out as a way to help make ends meet on the farm and to keep us all busy during the summers, but we soon realized that it was also helping us to build a foundation for a future in farming. We started slow with used equipment. But as the business has grown, our banker has provided us with ample access to credit so that we can buy the additional equipment required to keep up with the customer demand. This past summer we cut and baled approx. 5000 acres for 35 customers. Someday, we would like to be able to buy some land of our own. Under the current law, my brothers and I would be good position to compete for land that becomes available. Because of the good relationship that we have build with our banker I know that we would be able to access sufficient capital. But, I doubt that I would ever be able to compete with the assets of a large group of investors or a corporation for that same land. By opening the door to unrelated, outside investors, this state would be sending the message to me and all of the other young men and women who may want to farm that you have given up on the next generation of North Dakotans.

The heart and soul of our rural communities lies in the people that live on those farms. They support the businesses, schools, churches and the families that live there. I know first hand how these communities support their neighbors. This past Sunday morning the shop on our farm burnt down and we lost all of our tractors and equipment to feed our cattle. Within hours, virtually every neighbor from a 10 mile radius had called or stopped in to offer their assistance or equipment to feed. I'll always remember that kindness and can only hope to repay it someday. But, I also have to wonder what will happen as more and more of our land is bought up by individuals and groups of investors who will never make their homes in our communities. I respectfully ask that you reject this bill. Thank you.

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Dennis Hallmark
Operator's signature

10/3/03
Date

To whom it may concern:

My name is Mark Larson, a resident of Minot, ND. I am actively involved in production agriculture as a farmer. I have also been an agricultural lender for 22 years.

Proponents to House bill 1396 gives great merit to the fact that if this bill becomes law farmers will have access to the credit they need to expand their operations and diversify.

Lenders statewide are aggressive in the area of lending money to farmers. Farm Service Agency has implemented a number of good products to provide dollars to beginning as well as established farmers for the purchase or refinance of farm real estate. FSA has also made available a guarantee program which lenders from the private sector have access to as an additional tool they can use to eliminate some of the risk when minimum capital is a concern.

Farmers statewide have access to farm loan programs which promoted significant financial incentives for beginning farmers. Individuals not related to agriculture also have ample opportunity to invest in agriculture. Farmland is sold everyday to private investors or individuals seeking an investment in agriculture. They too, can also qualify for a loan to purchase agricultural real estate. There is a wide array of tools that individuals can use to acquire agricultural assets including partnerships, contract for deed, balloon payments, loans from private and public lenders, and the list goes on and on.

House bill 1396 if approved will put one more nail in the coffin to abolish North Dakota's anti-corporation farming law. North Dakota's anti-corporation farming law was a rock when it was originally written. Air tight, no loopholes, if you get the analogy I am trying to portray. A rock will crack, crumble, and turn to dust if a hammer and chisel stay at work long enough. Please put your hammer and chisel down now and vote no on House Bill 1396.

Respectively submitted,

Mark F. Larson
Mark F. Larson

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Deanna Halverson
Operator's Signature

10/3/03
Date

Chairman Flakoll and Committee Members,

Thank you for the opportunity to address this committee.

The buzz in North Dakota for the past 10 years, or so, has been "economic development." We've distributed local and state development funds to companies or business that might, *just might*, have a positive effect on our economy. Agriculture is still the biggest industry in the state and has always contributed to North Dakota's economy. Now someone is trying to ruin it!

By passing HB1396 the House told me, "You family farmers can't make it. We give up on you. We think some else can do your job better." That's disgusting!

I want to impress upon you the fact that family farms and independent livestock producers still make the tills ring in Hankinson, in Velva, in Harvey, in Watford City, and yes- even in Fargo. Without the family farms support none of these cities would be what they are today. You people need us.

When I've gone to my ag lender with a well thought out plan for a farm endeavor, which shows profit, I've been able to obtain a loan. If some larger operations need money from outside investors maybe they don't have a very good plan to begin with.

A lot of us operating farms don't have an abundance of extra cash but we are making it. The last thing we need is to have to compete with corporate money that will raise our cash rent and our land purchases. To do this will result in disaster and accelerate the migration of young people out of North Dakota.

Living on a farm in rural North Dakota is very rewarding. Outside corporate investors may destroy that opportunity for many young North Dakotans.

If you believe there is something out there worth saving, I ask you to send this bill out of this committee with a unanimous, I repeat - unanimous, DO NOT PASS recommendation. Then go to the microphone when this bill comes up before the vote in the Senate and tell your colleagues that this bill is no good. This bill is poison for the economy of North Dakota.

Sten Sten

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Dennis Halverson
Operator's Signature

10/3/03
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Senate Hearing on HB 1396
Thursday, Feb. 27, before the Senate Agriculture Committee
Sen. Tim Flakoll, chairman

My name is Ralph Birdsall. I am appearing in opposition to HB 1396. I'm here today on my own behalf, drawing upon my own experiences as a Ward County farmer and as a member of a rural electric cooperative board of directors.

As a farmer, I'm concerned about this bill. It states the principal shareholder must be actively engaged in operating the farm or ranch and also must be a U.S. citizen. My question is this: What does it mean to be actively engaged in operating the farm or ranch?

Is this making cropping decisions? Deciding when to sell farm products? Making finance decisions? When to plant or when to harvest? I submit these decisions could be made from anywhere in the United States, using today's modern technology and telecommunications systems. Any one of these decisions could be used to justify being "actively engaged" in farming. All that person would need is hired help who could be relied upon to follow instructions.

This concern about having persons who live outside the state controlling the farm, leads me to my second concern. If this scenario develops, what will it do to hasten out migration? We have a big problem with out migration already in rural, rural North Dakota. This is a particular problem for organizations like the rural electric co-op on which I serve, as we struggle to raise the revenues needed to repay the large investment we've made in the rural areas. We have been a very active player in community and rural economic development in the past, and will be in the future. If the legislature approves HB 1396, I'm concerned that it will hasten the deterioration of the rural areas as those living outside the state could control more and more farming operations. This will make it more difficult for the local RECs to keep up the infrastructure in rural North Dakota.

I trust this committee will give these questions and other concerns serious consideration as you consider this bill. I would appreciate a Do Not Pass recommendation. I'd be happy to answer any questions you might have about my testimony.

Ralph Birdsall
10306 324 St. NW,
Berthold, ND

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Demetrius Hallworth
Operator's Signature

10/3/03
Date

Opposed to HB1396

Dan

I am Myron Blumhagen, a farmer from Drake and am opposed to HB1396.

One of the many reasons why I am really opposed to this bill concerns the principal shareholder, which in Section 2, #5 states "the corporation's principal shareholder must be an individual actively engaged in operating the farm or ranch."

I received from the Farm Service Agency the rules for an individual to be "actively engaged". Although the rules are about 30 pages long, I have attached 2 of the pages which show basically they need to contribute a significant amount of capital and personal management. They do not need to be on the farm or even in the state to do this but yet can be the principal shareholder.

The laws we have now already allow anybody to own land and be a part of a farm operation. Some of the land that I farm is rented on a sharecrop basis. The landlords live out of state so this money from ND's production leaves the state and none of it is spent here. We do not need another law to sell out ND's equity and create more sharecroppers on the land. I urge you to oppose this bill.

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Dan Blumhagen
Operator's Signature

10/3/03
Date

Par. 131

131 General Considerations

A

Introduction

For an individual or entity to be considered "actively engaged in farming," the participant must make a significant contribution of certain farming inputs. This paragraph lists and defines these contributions.

B

General Provisions

In general, for an individual or entity to be considered "actively engaged in farming," the requirements of this table must be met.

Must contribute both left hand & right hand.

Item	Requirement
1	Significant "left-hand" contributions to the farming operation of 1 or a combination of the following: <ul style="list-style-type: none"> • capital • land • equipment. <p>Note: See paragraphs 274 and 295 for exceptions.</p>
2	Significant "right-hand" contributions to the farming operation of 1 or a combination of the following: <ul style="list-style-type: none"> • active personal labor • active personal management. <p>Note: See paragraph 132 for exception.</p>
3	A claimed share of the profits or losses from the farming operation that is commensurate with contributions to the farming operation.
4	Contributions that are at risk.

C

Definition of Capital

For payment limitation purposes, capital consists of the funding * * * provided by an individual or entity to the farming operation for the operation to conduct farming activities.

Continued on the next page

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Dennis Hall
Operator's Signature

10/3/03
Date

Par. 131

131 General Considerations, *Continued*

G
Active Personal Management

Active personal management is defined as personally providing:

- the general supervision and direction of activities and labor involved in the farming operation
- services, whether performed on-site or off-site, reasonably related and necessary to the farming operation, including any of the following:
 - supervision of activities necessary in the farming operation
 - business-related actions that include discretionary decision making
 - evaluation of the financial condition and needs of the farming operation
 - assistance in structuring or preparing financial reports or analyses for the farming operation
 - consultations in or structuring of business-related financing arrangements for the farming operation
 - marketing and promoting agricultural commodities produced by the farming operation
 - acquiring technical information used in the farming operation
 - any other management function necessary to conduct the farming operation and for which the operation would ordinarily be charged a fee.

Continued on the next page

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Dorinda Hall
Operator's Signature

10/3/03
Date

Mr Chairman,

February 27, 2003

Members of The Senate Ag. Committee,

My name is Allen Lund. I am a rancher from Selfridge, N.D. I stand in opposition to H.B. 1396. I fail to see how this bill in any way will benefit the people and the economy of North Dakota. Instead I foresee devastating consequences that it will bring to the rural sector of our state.

For example: I try to practice good stewardship on my land and add conservation practices to better benefit future generations. I believe a corporation would farm the profit out of the land and move on to greener pastures.

I patronize our small town businesses when ever possible, because I believe they are an asset to me and my community. I believe a corporation would buy and sell in mass quantities, therefore bypassing our local businesses and forcing them to close their doors in the future.

I practice wildlife conservation and welcome hunters on my land. I believe a corporation would make a business out of hunting and implement hunting fees.

If H.B. 1396 is passed, I believe it will negatively change our North Dakota heritage as we know it today, endanger our small communities, increase out migration of our citizens and bring an end to our states family farmer and rancher.

I ask you to vote no on this bill.

Thank you,
Allen Lund
Box 194
Selfridge, N.D. 58568
(701) 422-3747

*Need
copies
for all*

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Dennis Hallmark
Operator's Signature

10/3/03
Date

Mr. Chairman, members of the Committee:

My name is Kevin Teigen, I am currently an Ag Economics major at NDSU, and today I am speaking on behalf of the North Dakota Farmers Union, myself, and my generation.

Today we are debating the question of corporate farming, but in essence I feel that we are determining the future of our entire industry, and the fate of our rural communities.

Proponents of HB 1396 claim that corporate farming is a move in the right direction. I say that this step toward vertical integration will only take us straight down.

You have heard the argument that by allowing outside investors into production agriculture, producers will have access to enough capital to put out the crop. Outside investors are NOT going to be the saviors that these producers are hoping they will be. The primary aim of these investors would be to make money, not to save a struggling family farm. This means that the operations benefiting from this bill are those profitable operations that aren't struggling to make ends meet. **THIS BILL WILL NOT LEVEL THE PLAYING FIELD; IT WILL CREATE AN UPHILL BATTLE FOR FAMILY FARMERS.** Family-sized farmers, whether they are just starting their career or are already well established, will not be able to compete for land bids with these corporations. This translates into a vital portion of our population being forced to try to make a living elsewhere.

Another part of the bill that concerns me is the vague description of ownership requirements. The bill states that the principal owner or shareholder must be "*actively engaged in operating the farm or ranch.*" (p2 sec.5) What does actively involved mean? Does it mean the person who runs the combine? Does it mean the person who keeps the records? Does it mean the person who signs the checks? Is it the person that decides to get the supplies from a wholesale provider instead of the local ag dealership? Or does it mean the person who decides to market the grain out of state and put the profits in an out of state bank account?

Agriculture has fallen on some tough times lately. I know that and you know that. But to risk our future on the hope that an investor will be interested in a 5%* return would be foolhardy. We don't need outside investors. We don't need to force farmers out of business. We don't need to send our money out of state. We don't need to force our family farmers to make a living elsewhere. **WE NEED YOU TO PROTECT OUR FUTURE, WE NEED YOU TO FAIL THIS BILL.**

*- current bank loan rate for an agricultural loan

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Donna H. H. H.
Operator's Signature

10/3/03
Date

Mr. Chairman, Members of the Committee:

My name is Dave Teiger. For as long as I can remember I've wanted to be a farmer. After my graduation from NDSU in May, I'll return home to be the 4th generation to farm our land.

We say we're family farmers because we assume all of the risk, we make all of the management decisions, and we provide nearly all of the labor for our operation. The only outside help that we hire is either from my uncle or from a neighbor to help with combining. That isn't necessarily because we couldn't do it ourselves but because we're racing the weather to save the quality of the grain.

I am opposed to House Bill 1396 because of the likely harmful effects of weakening our current laws.

The fact that North Dakota has a history of protecting family farms played a major role in my decision to stay in the state. If I wanted to make a living by being an employee of a corporate farm, I could get a job in almost any state and there's a good chance that the pay would be higher than a similar job in North Dakota. I chose to stay here because I want to operate a family farm. After growing up in a farm family, I realize that I learned some very important life lessons at a young age. Things like the value of hard work, determination, perseverance, and sacrifice are best learned where farming is a way of life, not just Dad's job.

If the relationship requirements were removed from the law, families wouldn't be working together. This time spent working together creates strong family ties, and strong family ties keep young people in North Dakota. I'm thankful that I was born into a farm family and I hope that someday my children and my grandchildren will have the same opportunities. If out-of-state ownership is allowed, they may not be so lucky.

Besides encouraging outward migration of young adults, HB1396 could easily damage the clean environment that this state enjoys.

On Monday, when I told my soils instructor at NDSU that I was coming here to testify, he pointed out to me two of the reasons why opening the state to corporate farming and ranching "would be a big mistake."

The first reason is the pollution of the soil and water. Many animals in a small space create the major problem of more waste than can be dealt with. Inevitably, runoff containing nitrates and phosphates would end up in our lakes and rivers causing an acceleration of algae and slime growth making the water unhealthy or unattractive for wildlife and tourists.

His second reason is pollution of the air. A small number of animals smell bad, but a large number of animals produce smells that are overpowering and, just like the green slime on the lake, makes the state unattractive to travelers.

My decision to stay in this state is one I'm very proud of. By defeating this bill, North Dakota would maintain a level playing field and ensure opportunities for many young men and women who want to stay in the state.

North Dakota's two most valuable resources are its young people and its unpolluted environment. This bill has the potential to hurt both of them, and I urge you to vote do not pass.

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Dave Teiger
Operator's Signature

10/3/03
Date

**Testimony
HB 1396
Senate Agricultural Committee
by Mike Donahue (Lobbyist 215)
February 27, 2003**

The North Dakota Wildlife Federation urges a **Do Not Pass** for HB 1396.

Our landowner/producer members do not want HB 1396. Based on their input, the Federation sees the bill as bad for starting/young producers. It will also be bad for the small town businesses that provide producers with equipment, supplies, etc.

Namely, the corporations that HB 1396 will allow are not family oriented. They will have the ability to out-bid and to "volume buy."

The Federation supports the position of the North Dakota Farmer's Union.

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Deanna Hall
Operator's Signature

10/3/03
Date

Dan.

Good Morning. I am Pastor Muriel Lippert Schauer, pastor at Bethlehem Evangelical Lutheran Church in Wing, North Dakota, about 45 miles from Bismarck. My mother's father, my grandfather, Albert Nicolai Winge was a homesteader in the Van Hook area in 1913. Their land was taken from them by right of eminent domain to make way for the Garrison Dam. My uncle, his son, Ralph M. Winge farmed with his dad and served in the North Dakota legislature from 1959 until 1977. He resides in Litchville. My father's grandfather, George Lippert, Sr. settled Lippert township, exit 248 on I 94. My uncle, Jim Lippert, farmed in Lippert township.

My family, like many others, has a long legacy of caring for the land God created and entrusted to our care. My uncles took great pride in the crops they raised knowing they were feeding many many people.

I speak against HB 1396. The farmers and ranchers I know in the congregation I serve do not have problems getting the credit they need to expand their operations or diversify. They do not need the money of outside investors. They need to receive a fair price for the crops they raise. Farmers and ranchers leave the land because quite often the cost of production exceeds the price they receive when they sell their products.

I have served as pastor at Bethlehem Evangelical Lutheran Church in Wing since 1987. It has been difficult for all of us to see people move away. The community of Wing lost 40% of its population from the years 1990 to 2000. We have lost our grain elevator, Farmers Union Oil Station, lumber yard, grocery store and Roman Catholic Church in the time I have been there. Our school enrollment has dropped from 150 to 75 in K - 12.

We used to have four dairy farmers in the congregation, now we only have one.

Availability of credit is not what has caused most of these people to leave. It was a lack of income. They didn't receive enough money for their crops to be able to live and service their debt load. HB 1396 will not stop the depopulation of North Dakota. This bill could easily force more people off the land. I seriously doubt any of the people who could be partners in corporate farms if HB 1396 is passed will move into Wing or any other small rural community. The profits they make will most likely not be spent in the town of Wing or even in the state of North Dakota.

In the quest to make money corporations who would be allowed to engage in the business of farming or ranching if HB 1396 is passed would not necessarily be the best stewards of the land. I have seen corporate farming in the Philippines. The corporations engage in monocropping and of course pay people very small salaries to do the work. As they deplete the soil they increase their use of chemicals.

The North Dakota coat of arms contains the words Strength from the Soil. The soil in our state is a precious and irreplaceable gift to us from God that enables us to produce a safe and secure food supply for the world. Keeping the soil in the hands of family farmers and ranchers promotes good land stewardship practices. Family farmers and ranchers know that their strength comes from the soil. They take pride in knowing the soil and making efforts to maintain and improve the soil in their care so its fertility remains for generations yet to come. I ask you to defeat HB 1396. Thank You.

The Rev. Muriel Lippert Schauer
P. O. Box 100
Wing, North Dakota 58494

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Dan Schauer
Operator's Signature

10/3/03
Date

Good morning Chairman Flakoll and committee members:

My name is Christine Sandland. I manage the Farmers Union Oil Co. in Selfridge, ND. I rise in opposition to House Bill 1396 because I believe this bill ultimately will hurt our cooperative.

The Farmers Union Oil Company in Selfridge has been in business since 1929. It is locally-owned by family farmers and ranchers in the area that buy services and supplies from our cooperative, and we employ 12 people with farm backgrounds. Our oil company thrives because family farmers and ranchers support our business. They understand how important it is to their farming operation to have a local service and supply cooperative in their area.

As manager, it has been my experience that very large farms+ranches generally do not support our local cooperative or businesses in the community. Why? Because large operations, such as corporate farms, have unlimited capital and can cut volume deals from their purchasing agents that bypass support of small local businesses, rural main street, and my Farmers Union cooperative.

Should you allow HB 1396 to pass, I believe more family farmers and ranchers in my area will be driven from the land and our cooperative will be going down the same road. We want owners and operators on the land that support rural America, not "investors" that come to visit but stay elsewhere, and take their profits with them.

Your decision today, affects many families and the businesses that depend on them for survival. Please vote no on HB 1396.

Christine Sandland
9221 56th Ave
Selfridge ND 58568
701-427-3381

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DM

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Operator's Signature

Christine Sandland

1/3/80
Date

Walter A. Hardie

I think that I had a similar situation as to what
you said would be so good for
the state.

I will give you a little history on my experience
with outside investors.

In 1972 I bought the farm where I live
It had a hog barn that farrowed 40 sows
I was short on finances I entered in to a
agreement with a local Feed Mill & Herbards
Feed company I was to supply the Building,
fuel, Electricity, Equipment, Labor, They were to
furnish the feed & pigs.

I got 5 dollars a pig for all the pigs I raised.
They took the pigs and fed them out on another
Hog operation.

My investment was about 6,000 and 6% int
my cost was about \$3600 then I still had the
Heat & Churnery to pay. We farrowed 1300 to 1400
litter pigs a year, that gave me about \$6,750 a year
then I had about \$2000 in fuel and heat & repairs
then that left me with about \$1150 for my labor.

at that time feeder pig went 20 to 30 dollars the
feed cost was about 15 dollars per feeder pig.
The gain in weight of the sow took a lot of
lot of her feed the profit was about 10. per
feeder pig. That left them with about 13000, year profit.

The only thing they did good for the community
was the corn they bought the \$13000.
left the community. There was none of it spent in
the local area.

We did this for 2 1/2 years. We were slaves
on our own farm. They would come once a month and
count every pig. Tell us what they thought we should
be doing. Then had locked up a group of sows that
were close up. There was one that didn't look very
close. We discovered morning chit she just had 8 little
pigs out in the lot. We were about to go combining
the boys I decided that we would get done that day
just 3 weeks we would lock her up there.
Just so happened that the feed company guys showed
about 1:00. They counted the pigs and they were
short one. They asked my son where the other sow
was. He was 12 then he said that she was out
in the lot that she had 8 pigs and was doing fine
and we were going to lock her up that afternoon.
We were about done combining the guy from Hubert
showed him out & told him get your dad of the combined
and get him in here and lock that sow up. My son
looked him in the eye told him that you damn
pigs lock her up your self. That is when I decided
this is it they are making slave of all my family.
I called my lending agency and asked if I could buy my own
sows they said yes. I called the feed company and told
them to get their sows out of here. They made a
deal with me & I bought all the sows. That was
the best thing that ever happened.

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Deanna Hallmark
Operator's Signature

10/3/03
Date

Copies for all

My name is Marcy Svenningsen and my husband, Greg, and I farm 10 miles west of Valley City. We raise small grains and beef cattle. We are family farmers and we are opposed to this bill. I believe this legislation will hurt our state's family farmers and this is what compels me to testify today. This isn't about one farm organization versus another, it shouldn't be about urban versus rural, but it is about corporate farming versus family farmers.

There is a huge misconception in the public today that all farmers are trying to get bigger. That we want to add more land to our farms, more debt to the amount we already have, more equipment to take care of and more work to an already full schedule. Nothing could be further from the truth. We simply want to get paid a fair price for the work we do so we can provide for our families and support our communities. We want to spend time on school boards, work in volunteer fire departments, attend school events, buy supplies from our local businesses, worship in our rural churches and even eat lutefisk and meatballs once a year with our neighbors.

There's also a couple of things we don't like to do. We don't like having to come to Bismarck every two years to fight changes to our current anti-corporate farming law but we will if we have to. There were many more farmers who wanted to be here today to oppose this change, but they're home doing cattle chores, working an extra job, cleaning seed and it's hard to get here for a 9:00 a.m. hearing. One farmer who wanted to be here today told me that he had promised to give moral support to his friend who is having an auction sale today. That's definitely another thing that we don't want to do anymore is attend auction sales. And this proposed change will accelerate family farm auction sales. We can't compete with a corporation when it comes to renting or buying land or purchasing inputs in quantity and we don't believe that this will be good for our rural communities or our urban friends.

Some people think that changing our corporate farming law would provide a band-aid for the wound that exists in family farm agriculture today, however I believe this change would actually cut even deeper into the hurt family farmers are experiencing due to poor prices and disasters and if this change is passed - the blood will run freely. I urge this committee to vote "do not pass" on HB 1396.

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Deanna Holmquist
Operator's Signature

10/3/03
Date

Unable to
attach

WHO BENEFITS FROM CORPORATION FARMING?

Senator Flakoll, and members of the Agriculture Committee.

Thank you for giving me the opportunity to visit with you about the impact of Corporation Farming. I own and operate a Small Grain and Cow-Calf operation in Burke Co. by Powers Lake. I am also currently a Burke Co. Commissioner and have previously taught Vocational Agriculture.

I am disturbed by the continual effort by the large corporate farms and their supporters to constantly gain more financial advantage in farming and ranching at the expense of Family Farmers, Beginning Farmers and our rural communities.

HB 1396 is an attempt to do away with restrictions on Corporation Farming. Since the Corporation Farming Law was weakened to allow the size to go to 15 related family members, we have seen a dramatic increase in farm size with less young farmers being able to get into farming or ranching. We have had a dramatic increase in outmigration from our rural communities. Burke Co. is one of the leading counties in the nation in population loss. Our major industry is agriculture. We have no town with over 1000 population.

As farmers retire, their land is being taken over by other larger farms. There is very little opportunity for a young person to get started. A vast majority of Federal Program Payments go to the large and Corporate Farms which are using those payments to bid up land rent and land prices to a level that prohibits a beginning farmer from the ability to get started and takes land away from the average family farm. Do we now want to speed up this trend?

HB 1396 will make two major changes to the Corporation Farming Law. It would remove the "relative" requirement, and the requirement that the main owners would need to operate the farm. I don't buy the argument that this change is needed to help the corporate farmers get finances to operate. At a time when the interest rate is lower than it has been since I started farming in 1974 and money has never been more readily available to me in my operation, there needs to be another reason.

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Demetrius Hall
Operator's Signature

10/3/03
Date

The Daschle amendment to the Federal Farm Program that was recently passed closed some loopholes and lowered the payment limit for the first time. I know this will cut the Government payment to some major farm corporations. HB 1396 will provide for farm corporations to recruit none relatives into their farm corporation so they can get back these government payments. Just think of the benefits they can get at the expense of the "Family Farm" if they can sign on a Farm Supply Manager or Elevator Manager. The corporate farm could get a significant price advantage in the products they buy as well as in the products they sell. The rest of us will need to pay for those benefits through higher prices for what we buy and lower prices for what we have to sell. The new nonrelative member could be rewarded for their efforts by a significant kickback from the additional government payments the corporation would receive from his/her membership. This practice is already being used to some degree but the relative requirement must be a major restriction.

The second major change, removes the requirement that the officers and directors need to be actively engaged in the farm operation, and only requires that the principal shareholder to be actively engaged in the farm operation. If they would form a limited liability company then only one member of the company would need to be actively engaged in operating the farm. Would this provide for an investor or group of investors to buy up land and hire an operator? The only requirement being that the farm operator would need to be a member. Would this provide for a food processing corporation or any corporation to form a limited liability company and own farm land for their benefit?

HB 1396 would basically destroy the corporation farming law that has tried to preserve some level of farm numbers and farm ownership. It would only escalate out-migration and continue to close down our small towns and small schools. This will impact not only our traditional family farms but our entire rural community. At a time when other states are trying to enact Corporation Farming Laws, why should we weaken ours?

We need to ask ourselves, who will benefit and who will pay?

Please vote No on HB 1396.

Marlow Nelson, Burke Co. Farmer
Powers Lake
701-464-5730

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Deanna Hallworth
Operator's Signature

10/3/03
Date

North Dakota

Sportsmen's Alliance

205 6th Avenue NE
Jamestown, ND 58401
Phone: 701-252-1586



unable to attend.

I am Larry Knoblich, representing the North Dakota Sportsmens Alliance. I stand before you today in a rather difficult quandry. The Alliance has been demonized as a small group of very vocal zealots whose passion is to keep the state closed to nonresident hunters and bent on taking the rights of land owners away. We sometimes feel like the patriot who rode through the villages shouting, "The British are coming," only to have the occupants of the village shouting back for him to "shut up" because the Brits spend money, too. In fact we have been living in dread of the very thing that this bill would provide. We have warned against the huge acreage that has been taken up by corporate hunting outfitters and now this bill will in fact take hundreds of thousands of acres out of public access through corporate farming.

We need only point out the huge tracts of land that are owned by Turner Enterprises in Montana and South Dakota. In South Dakota alone, Turner Enterprises owns a ten mile strip of land from Pierre, South Dakota well into Nebraska. A tract of land never to be opened to public access again.

If we are concerned about people leaving the state and our small communities disappearing you can be assured that this bill will accomplish just that.

I called the Chamber of Commerce in Topeka, Kansas yesterday to check on a few things I had seen on a national television broadcast. Topeka has a population of 126,000 people and five television stations, yet you cannot watch a local newscast on television in Topeka, Kansas. There just isn't enough money to be made by these kinds of broadcasts. "Absentee ownership of television stations has been listed as a cause for the death of local television news in Topeka, the owners of the stations have no local ties." Who can say the same lack of local control will not happen in our state?

I am for total rejection of HB1396 and for keeping local farmers and landowners in control of their destiny and the future of our wonderfully, localized state.

Thank You,

Larry Knoblich

Larry Knoblich
Executive Director, N.D.S.A

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Deanna Hallworth
Operator's Signature

10/3/03
Date

unable to attend

My name is Dick Monson. I am a North Dakota farmer and an avid sportsman. I am adamantly opposed to 1396, the corporate farming bill for the following reasons.

If corporate farming is allowed to grow in our state, it will only lead to an increased exodus of our young people, a deterioration of our existing farms and farm businesses. Corporate farming virtually guarantees less access for hunters and fishermen. In surrounding states where corporate land ownership is common, huge acreages are off limits to both sportsmen and tourists.

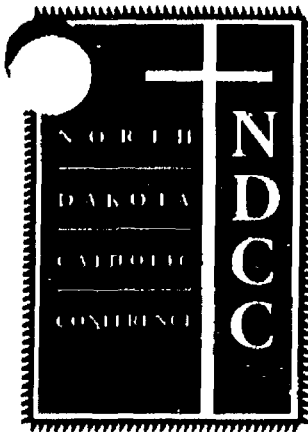
Many large farms already have outside investors, and many of the largest buy most of their inputs outside the state. Fuel, seed, fertilizer, chemical, repairs, and even operating money, are all purchased outside North Dakota. This is not a blessing to our economy but rather a drain upon it. Corporate farming will only accelerate it.

If you allow this kind of corporate farming into North Dakota, in the next session or one following, you will have a bill before the legislature to lower the air standards and the water standards; the high standards that we currently enjoy, and deserve. I urge you to vote **NO** on 1396. Dick Monson

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Dennis Hallworth
Operator's Signature

10/3/03
Date



Representing the Diocese of Fargo
and the Diocese of Bismarck

Christopher T. Dodson
Executive Director and
General Counsel

To: Senate Agriculture Committee
From: Christopher Dodson, Executive Director
Subject: House Bill 1396 - Corporations in Farming and Ranching
Date: February 27, 2003

The North Dakota Catholic Conference opposes House Bill 1396. Farming and ranching is not merely an economic activity. It is both a sacred gift and sacred obligation. As such, it must be conducted within an ethical, economic, and legal framework that fosters justice, families, communities, the common good, and stewardship of creation. With this in mind, the conference believes the legislature should "support the spirit and intent of North Dakota's Corporate Farming Law to preserve and maintain farm ownership and control in the hands of family farmers."¹

House Bill 1396 is inconsistent with this call. The bishops' support for family owned and operated entities stems from their belief, supported by experience and social data, that such ownership best ensures a just system of agriculture, economically, socially, and environmentally. It is consistent with the calls of bishops in rural communities across the nation and the laments of bishops and farmers in states with investor-owned farming.

Claims that the state's current law ignores the inevitable trends of the modern economy and hinders efficiency reflect false ideologies concerning the economy and progress. The economy is a human-made institution, not an inevitable force. Although our current system falls short of a just system of agriculture, the choice of how to respond is ours. We should not choose to toss aside something that will not solve the problems and has served the people and land of North Dakota well.

Moreover, claims that investment, rather than morally just prices, will help North Dakota agriculture, place our hopes in "efficient" industrialization, rather than sustainable and just economies. Such misplaced emphasis on efficiency can unleash a "conspiracy against life" and promote a "culture of death."² In North Dakota, we have done -- and can do -- better.

We urge a **Do Not Pass** recommendation on HB 1396.

7 W. Broadway, Suite 2
Bismarck, ND 58501

(701) 223-2519
1-888-419-1237
FAX # (701) 223-6075

1 *Giving Thanks Through Action: A Statement by the Roman Catholic Bishops of North Dakota on the Crisis in Rural Life.*

2 *Evangelium Vitae, "The Gospel of Life," No. 12.*

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Christopher T. Dodson
Operator's Signature

10/3/03
Date

TESTIMONY ON HB 1396

unable to attend.

TP

Chairman Flakoll and members of the Senate Agriculture Committee:

My name is Bob Finken and as a fourth generation family farmer from Douglas, I have found the arguments supporting opening up our state to corporate farming to be without sound merit. HB 1396 will severely weaken the current anti-corporate farming law if passed. I'd like to dispel some of the myths that promote corporate farming.

Myth #1. "Farming is expensive and farmers are struggling because of a lack of capital."

I have over 25 years of experience farming and lack of capital is not the primary reason that farmers are suffering economic distress. The real reasons are low commodity prices and a long series of failed federal farm programs. Production agriculture is a mature industry that is already fully capitalized. If production agriculture were actually lacking capital, then there would be depressed land and rent values. An influx of outside capital will only upset the current balance of competition between farming operations. Adding more capital is not the answer to the lack of farm profitability and is simply wrong and grossly misguided.

If a farmer is so economically challenged that he/she cannot get capital from the traditional sources of banks, credit unions, USDA, Farm Credit Services or the multitude of credit companies, then how will an influx of outside capital make him/her more profitable? It will further drive up the price of land and rents as the corporate farms try to expand their land base. They will do this in an attempt to gain "efficiency" by spreading costs over more acres. This will cause farming margins to be even thinner and drive even more families off of the land and out of North Dakota.

Myth #2. "Consolidation of farms and ranches is a fact. We cannot return to the past."

We've all seen that as farms consolidate, people are replaced by capital. Adding even more capital from outside will only further exacerbate the problems of farm consolidation and out-migration from North Dakota. Not only will our families be leaving the state but as the profits of the corporate farms flow to the outside investor, the capital from the earnings of the corporate farm will also leave. Will corporate farms be as likely to buy their inputs locally, bank locally, support the local cafe, school, and churches?

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Deanna Halverson
Operator's Signature

10/3/03
Date

Myth #3. "Anti-corporate farming laws stifle economic development and outside investment opportunities."

States such as Nebraska have even stricter anti-corporate farming laws and are actually losing less farmers than North Dakota. There are currently plenty of "investment strategies" or "vehicles" for North Dakotans to invest in production agriculture. There are no restrictions for any individual to buy as much land as they so choose. Groups of up to 15 related persons are already allowed to incorporate or form LLC's and LLP's to own land and/or operate a farm.

We should be striving to make the commodities that we produce worth more instead of less. Additional capital would have the most economic benefit by being used to invest in opportunities that add value to the commodities that we already produce. The value-added segment of our agricultural economy is where the additional capital is really needed. Keeping the additional value and jobs here in our state would go a long way to revitalize the economy of North Dakota and reverse the trend of out-migration.

Myth #4. "We are beating back opportunity in the name of protectionism."

The root of the question is who do we want to control production agriculture in this state? Do we want to further industrialize agriculture with corporate farms that drain the people and capital out of our state? If being against corporate farming makes me a protectionist than I am darn proud to be one. Wouldn't we all be better off with a sustainable society of family farmers living on and caring for the land? The people who claim that corporate farming will help North Dakota should put their own self interests and corporate ideologies aside and instead put their energies to better use.

I urge the members of the Senate Ag Committee to follow the lead of the House Ag Committee and give this bill a "Do Not Pass" recommendation. This is the wrong path for North Dakota.

Bob Finken
16300 359th Ave SW
Douglas, ND 58735-9404
701-529-4421 or 720-1808

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Donna Halverson
Operator's Signature

10/3/03
Date

Turned in 3/3/03

Chairman Flakoll and Committee members.

I speak in opposition to HB1396.

This bill, if passed, will cause great harm to the state of North Dakota because this bill would allow farms to dramatically increase in size. This type of size increase will drive the small farmers off the land, make it almost impossible for new individuals to start farming, create more outmigration of people from our small towns and communities, and put a burden on society as to the people being displaced from those farms, small towns, and communities.

I find it hard to believe that the House passed this bill when it came out of committee with a "Do not pass" recommendation. Not being present at that vote leaves me only to guess at the speeches made on the floor. I find it hard to believe that the heritage of this great state of family farmers would suddenly change it's thinking on corporate farming. This bill sets a dangerous precedent to allow for corporations to be started for the purpose of farming large tracts of land and building large feedlots only to the demise of the family farmer.

The constituents of each district of the state of North Dakota are counting on each of their elected Senators and Representatives to do what is right for our state. Those people need to keep their livelihood without the fears of being forced out of business by large capitalized farmers(corporations). Those people are also small town businesses which are often times overlooked as the farms get bigger. As these capitalized farmers(corporations) get larger, local business suffer because these entities often time do not support them. People are driven off the land and small towns. They are forced to look for work in larger cities for usually a less than desirable wage.

Chairman Flakoll and committee members, I urge you to save our heritage, to save our family farms, and to save our small towns! North Dakota does not need corporate farming. Recommend "DO NOT PASS" and vote NO on HB 1396.

Sincerely, Robert Bornemann

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Robert Bornemann
Operator's Signature

10/3/03
Date

Turned in 3/3/03
From Mrs. Robert Bornemann

Chairman Flakoll and Senate Agriculture Committee Members,

I am writing to you today in opposition to HB 1396. Most of my life has been spent on small family farms in North and South Dakota. Although years of drought and other farm-related difficulties have posed challenges, the quiet farm life is still the one I desire to pass on to my children and grandchildren.

Have any of you ever read Dr. Seuss's book, THE LORAX? It's absolutely incredible as it deals with the consequences to the environment and ourselves when financial aspects of a situation are the ONLY ones in consideration in the minds of those in charge. After I read the Lorax, everything made more sense to me. Trees are here for a purpose, air is here for a purpose, soil is here for a purpose, animals are here for a purpose, and yes, man is here for a purpose. I would encourage each one of you to take a peek into the great mind of Dr. Seuss by reading THE LORAX. Although a child's book, many answers would come to us who make decisions about the future.

My concern has to do with the future generations of young people wanting to farm. Where will they get the finances to compete with corporations? Where will all of the pollution that these huge corporate farms produce end up? Where will we get clean air from and water and soil? How will we have peace of mind if we end up like the Onceler who thought only of profits?

People who favor corporate farming should also read the article, "The Real Price of Factory Farming." I'd like to quote a few sentences for you to ponder. On page 2 the writer states, "Factory farms have a notorious legacy of massive pollution--they also drive independent family farmers out of business, treat animals and workers as mere commodities, and destroy communities."

Also on page 3 we read, "Whether overcrowded in feedlots and buildings or virtually immobilized in crates and cages, factory-farmed animals are treated like machines with no concern for their pain or suffering." Have we sunk so low in ND as to desire THIS type of care be given our animals? Is this the legacy we desire to leave?

What of those who work in these places. One more quote should leave no doubt in your mind that we must NOT allow North Dakotans to sink so far. On page 3 of The Real Price of Factory Farming we read, "The life of a factory farm worker is one of misery. The line speeds at poultry processing plants are so fast that many workers are forced to perform a repetitive motion of every other bird, one motion every 2 seconds. 1 in 3 poultry workers has a work-related musculoskeletal disorder resulting in moderate or extreme pain and many employees become permanently disabled. Please save North Dakotans these agonies and vote NO on HB 1396.

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Dorinda H. Ball
Operator's Signature

10/3/03
Date