MICROFILM DIVIDER

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

ROLL NUMBER

DESCRIPTION

2222

Operator's Signature

10/21/03
Date

2003 SENATE FINANCE AND TAXATION

SB 2222

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2222

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 28, 2003

Tape Number	Side A	Side B	Meter #
1	X		2626-end
1		X	0-3300
Committee Clerk Signature			

Minutes:

Senator Urlacher opened the hearing on SB2222. All committee members are present. This bill relates to ethanol production subsidies, also to the distribution of motor vehicle registration fees and the taxation of motor vehicle fuel for agricultural purposes, and to the duration and limitation of ethanol plant production incentives.

Senator Jerry Klein, District 14 (mtr #2690) - Great opportunity to direct public policy. Take care of concerns as we see unrest throughout the world. This bill will create a fund to help new construction of ethanol facilities in the State of North Dakota. Fund is based on the price of corn and the price of ethanol. Amount of dollars in the fund is approximately 3.8 million per biennium. That money comes from registration fees on farm vehicles in addition to the gas tax refund. This bill is good for farmers of North Dakota, good for North Dakota and good for the USA. Will have a tremendous impact on the economy of North Dakota.

Lt. Governor Jack Dalrymple (mtr #2890) - This bill is part of the Governors Smart Growth Initiative is in the category of adding value to North Dakota products, which is a pillar of Smart Growth. North Dakota is 17th in the nation on corn production. Corn acreage is expanding due to corn hybrids. This will allow us to feed cattle in North Dakota rather than adding value to livestock in another state. Spin-offs are tremendous, include a 40 million gallon plant, at a cost of about 50 million dollars. Envision dairies of up to 4000 milk cows being located near the plant. Would be a tremendous amount of movement of grain around the plant. This bill is an incentive to build new plants. There is nothing in this bill that addresses anything having to do with subsidizing existing older plants in ND. That is a policy question you will want to take up. As far as Smart Growth is concerned, we want to focus on the construction of new plants. This mandate will lead to cleaner air and greater energy independence. This bill is counter cyclical. Would not payout subsidies when economy is good. When evaluating the cost of this program take into consideration the history of ethanol subsidization in ND. This proposal for the biennium is only 1 million dollars more than what we have been offering. As an incentive program for new construction, has raised a lot of interest already around the state, we have no less than four groups exploring the use of this production subsidy. Urge your best consideration.

Senator Tony Grindberg (mtr #3660) - Supports the bill. Want to create and stimulate more investment in North Dakota.

Senator Tom Trenbeath (mtr #3754) - It is good business to make a short and long term business plans. The price of corn will fluctuate and will the price of gas. Ethanol is on the ascendency. Asking for an amendment to this bill to delete section 7, allow 4 14.107 to remain in place.

Representative Gil Herbel (mtr #4060) - Supports the bill as amended by Senator Trenbeath. Want to keep the existing plants going.

Representative Phillip J. Mueller (mtr #4151) - Supports SB2222. This is the best of government and private enterprise and industry working together. SB2222 is about economic development and decreasing our reliance on foreign oil

Representative Chet A. Pollert (mtr #4377) - Supports SB2222. This bill includes economic development and is good for North Dakota.

Roger Johnson, Agriculture Commissioner (mtr #4499) - Written testimony attached. Final point on ethanol, it is a new product for corn. Urges favorable consideration.

Senator Tollefson (mtr #5204) - Regarding the proposed amendment, how do you feel.

Mr. Johnson - Had just received the amendment, haven't had time to consider. Certainly don't want to harm existing industry.

Senator Tollefson (mtr #5364) - The amendment would throw the fiscal note completely off.

Terry Wanzek, farmer, corn producer, representative of ND Corn Utilization Council (mtr #5450) - Testified in support of SB2222. Written testimony attached.

Paul Thomas, Ag Coalition (mtr #6223) - Testified in support of SB2222.

Duane Dows, Chairman North Dakota Corn Utilization Council (mtr #25) - Testified in support of SB2222. Written testimony is attached along with charts showing supports and incentives.

Bill Sheldon, valley producer and Nesson Valley Irrigation District (mtr #468) - Corn is an excellent rotation crop for North Dakota. Need more markets for corn. Supports SB2222.

Mike Clemens, President North Dakota Corn Growers Association (mtr #560) - Written testimony is attached. Urges Do Pass.

Mike Brandenburg, citizen - Supports SB2222

Brian Kramer, North Dakota Farm Bureau (mtr #1120) - Testified in support of SB2222.

Ethanol is a value added product. Subsidies are there to help plant during tough times.

Edward Karel, City of Walhalla, City Assessor and businessman (mtr #1227) - Enthusiastically supports SB2222 only if sec. 4-14.1 is not repealed. No new plant would go online that fast. It send a different massage to existing plants. Incentive for new plants is not a problem. Have an issue is the repel of the existing situation. Walhalla needs the ethanol plant, it is not a money issue, it is a message issue. Need existing plants to feel welcome.

Senator Seymour (mtr #1647) - Who owns the Walhalla plant?

Mr. Karel (mtr #1680) - ADM owns the plant, they saved the plant. Lack of education was the downfall of original plant. ADM saved that plant.

Senator Tollefson (mtr #1851) - You feel without subsidies plants would be in jeopardy?

Mr. Karel (mtr #1881) - Yes, under the present market, given the current prices and because the state does consume and high enough percentage.

Harold Newman, Owner of Alchem, Minot (mtr #1985) - Supports the bill as possibly amended. When bought out plant, received a 10 year development plan of 750,000 per year. Have spent a lot of money based on that 10 year plan, if that period is not amended, this plant will close. In the future ethanol plants will be built, North Dakota should get its share. How can anyone invest in new plants if commitment is not honored to old plants.

Senator Nichols (mtr #2444) - With regard to counter cyclical nature of the new bill. How do you feel that would have worked if used during the 1997 session.

Mr. Newman (mtr #2485) - Haven't figured out what that would have done, it may have fixed the problem.

Senator Nichols (mtr #2555) - Have prices changed enough to get away from problems in 1997?

Mr. Newman (mtr #2590) - Went over price of ethanol in 1993 and today.

Representative Joyce Kingsbury (mtr #2621) - Supports SB2222 with amendments to include existing plants.

Ron Lambert, Market Director of American Coalition for Ethanol (mtr #2679) - Feel the state should honor commitments make to existing plants. Printed charts and maps attached. Ethanol growth has come in states with incentive programs in place. Strongly support this bill but also ask for support of existing plants.

Senator Seymour (mtr #3136) - Regarding the map of Minnesota plants, any closings?

Mr. Lambert (mtr #3160) - One near St. Paul, that plant had neighbor issues i.e. pollution..

Nick Sinner Executive Administrator of the North Dakota Barley Council (mtr #3240) - Supports SB2222. Written testimony is attached.

Senator Harvey Tallackson (mtr #) - Feels bad about the lack of provisions for existing plants, experimental plants should continue to get funding. Supports SB2222 and existing plants.

Senator Urlacher - Any opposition? Closed hearing on SB2222.

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2222

Senate Finance and Taxation Committee

❑ Conference Committee

Hearing Date February 4, 2003

Tape Number	Side A	Side B	Meter #
2		X	960-2118
Committee Clerk Signature Mary Kay Wallace			

Minutes:

Senator Urlacher opened the discussion on SB2222. All committee members are present. This bill relates to ethanol production subsidies.

Senator Nichols (mtr #965) - Presented proposals for amendments, requested committee help with wording.

Senator Wardner (mtr #1243) - Current bill contains a problem with old plants. Wouldn't mind helping old plants for one more time.

Senator Nichols (mtr #1357) - Proposed a funding limit for each of the old plants.

Senator Tollefosn (mtr #1482) - Are the current plants in jeopardy? Would be a large revision to the fiscal note.

Senator Nichols (mtr #1564) - If the new plant goes in, that is the correct fiscal note.

Senator Tollefson - Would need additional funds to help existing plants.

Senator Urlacher (mtr #1623) - Spoke in favor of assisting old plants on a limited basis. The current bill needs to be adjusted.

Senator Wardner (mtr #1745) - Spoke on the source of funding and remaining funds available.

Senator Nichols (mtr #1835) - Would be willing to have an amendment drafted and will present.

Senator Wardner (mtr #1994) - Proposal of 1.5 million and another proposal with a higher amount?

Senator Urlacher (mtr #2014) - 1.5 million is what we will look at. Closed the discussion on SB2222.

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2222

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 2-5-03

Tape Number	Side A	Side B	Meter #
3	X		96-1425
Committee Clerk Signature			

Minutes:

Senator Urlacher opened discussion on SB2222. All committee members are present. This bill relates to the distribution of motor vehicle registration fees and the taxation of motor vehicle fuel for agriculture purposes.

Senator Nichols (mtr #148) - Reviewed and clarified the proposed amendment.

Senator Urlacher (mtr #279) - Does this coincide with earlier amendments? Bill is clean except for this amendment.

Senator Wardner (mtr #326) - Further clarified the amendment.

Senator Nichols move to amend with amendment .0301 on SB2222. 2nd by Senator Wardner.

Voice vote 6 yea, 0 nay, amendment is adopted.

Further discussion followed on the fairness of the bill and how it would apply to the old plants.

Anita Thomas (mtr #1165) - Further clarification of amendment and how the funds will be set aside for the existing plants. The section does have an end date of 2005.

Senator Nichols (mtr #1325) - Moves a do pass as amended and rerefer to appropriations. 2nd by Senator Tollefson. Roll call vote 6 yea, 0 nay, 0 absent. Carrier is Senator Nichols

FISCAL NOTE

Requested by Legislative Council
03/31/2003

Amendment to: SB 2222

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

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$3,085,000		$3,085,000
Expenditures				$3,085,000		$3,085,000
Appropriations						$3,085,000

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenue is from two sources:
$2,800,000 from 40% of all registration fees on farm vehicles.
$285,000 from the 1 cent withheld from the agricultural fuel tax refund.

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

Expenditures are to the Ethanol Production Incentive Fund that this bill creates. While the subsidy limitation is reduced from $6,000,000 to $3,200,000 on a biennial basis, the anticipated revenue to the fund remains at $3,085,000 for the biennium.

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

Provided in HB 1019.

Name:	Paul Govig	**Agency:**	Dept. of Commerce
Phone Number:	328-4499	**Date Prepared:**	03/31/2003

FISCAL NOTE

Requested by Legislative Council
03/18/2003

Amendment to: SB 2222

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

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$3,085,000		$3,085,000
Expenditures				$3,085,000		$3,085,000
Appropriations						$3,085,000

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenue is from two sources:
$2,800,000 from 40% of all registration fees on farm vehicles.
$285,000 from the 1 cent withheld from the agricultural fuel tax refund.

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

Expenditures are to the Ethanol Production Incentive Fund that this bill creates.

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

Provided in HB 1019.

Name:	Paul Govig	**Agency:**	Department of Commerce
Phone Number:	328-4499	**Date Prepared:**	03/19/2003

FISCAL NOTE

Requested by Legislative Council
02/20/2003

Amendment to: SB 2222

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

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	**Other Funds**	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**
Revenues				$2,735,000		$2,735,000
Expenditures				$2,735,000		$2,735,000
Appropriations						$2,735,000

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	**Cities**	**School Districts**	**Counties**	**Cities**	**School Districts**	**Counties**	**Cities**	**School Districts**

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

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenue is from two sources:
$2,450,000 from 35% of all registration fees on farm vehicles.
$285,000 from the 1 cent withheld from the agricultural fuel tax refund.

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

Expenditures are to the Ethanol Production Incentive Fund that this bill creates.

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

Provided in HB 1019.

Name:	Paul Govig	**Agency:**	ND Dept. of Commerce
Phone Number:	328-4499	**Date Prepared:**	02/20/2003

FISCAL NOTE

Requested by Legislative Council
02/10/2003

Amendment to: SB 2222

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

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$3,785,000		$3,785,000
Expenditures				$3,785,000		$3,785,000
Appropriations						$3,785,000

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenue is from two sources:
$3,500,000 from 50% of all registration fees on farm vehicles.
$285,000 from the 1 cent withheld from the agricultural fuel tax refund.

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

Expenditures are to the Ethanol Production Incentive Fund that this bill creates.

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

Provided in HB 1019.

Name:	John Schneider	**Agency:**	Dept. of Commerce
Phone Number:	328-5350	**Date Prepared:**	02/11/2003

FISCAL NOTE

Requested by Legislative Council
01/17/2003

Bill/Resolution No.: SB 2222

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

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$3,785,000		$3,785,000
Expenditures				$3,785,000		$3,785,000
Appropriations						$3,785,000

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenue is from two sources:

$3,500,000 from 50% of all registration fees on farm vehicles.

$285,000 from the 1 cent withheld from the agricultural fuel tax refund.

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

Expenditures are to the Ethanol Production Incentive Fund that this bill creates.

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

Provided in HB 1019.

Name:	John Schneider	**Agency:**	Dept. of Commerce
Phone Number:	328-5350	**Date Prepared:**	01/23/2003

30223.0301
Title.0400

Prepared by the Legislative Council staff for
Senator Nichols
February 5, 2003

2-6-3

PROPOSED AMENDMENTS TO SENATE BILL NO. 2222

Page 1, line 2, after "sections" insert "4-14.1-07,"

Page 1, line 3, after "39-04-39" insert a comma

Page 1, line 6, remove "and" and after "appropriation" insert "; and to provide an effective date"

Page 3, after line 11, insert:

"**SECTION 5. AMENDMENT.** Section 4-14.1-07 of the North Dakota Century Code is amended and reenacted as follows:

4-14.1-07. Duration and limitation of ethanol plant production incentives. ~~Notwithstanding any other provision of law, an ethanol plant may not receive production incentives except as permitted under this section.~~

~~1.~~ ~~An ethanol plant that was in operation before July 1, 1995, may not receive production incentives in the form of direct payments from the state for more than fourteen fiscal years of operation after June 30, 1995. An ethanol plant that begins operation after June 30, 1995, may not receive production incentives in the form of direct payments from the state for more than fourteen fiscal years of operation. After December 31, 2000, the state may not provide production incentives in the form of direct payments to any ethanol plant.~~

~~2.~~ An ethanol plant that was in operation before July 1, 1995, and which has a production capacity of fewer than fifteen million gallons [56781000 liters] of ethanol may receive up to ~~seven~~ <u>five</u> hundred ~~fifty~~ thousand dollars in production incentives from the state for production in a fiscal year. An ethanol plant that was in operation before July 1, 1995, and which produced fifteen million [56781000 liters] or more gallons in the previous fiscal year ~~and an ethanol plant that begins operations after June 30, 1995, are each~~ <u>is</u> eligible to receive ~~an equal share in~~ up to ~~five~~ <u>two</u> hundred <u>fifty</u> thousand dollars in production incentives from the state in a fiscal year."

Page 4, after line 12, insert:

"**SECTION 9. EFFECTIVE DATE.** Section 8 of this Act becomes effective on July 1, 2005."

Renumber accordingly

Date: 2.5.03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2222

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do pass as amended .0301 & Rerefer to Appropriations

Motion Made By Sen. Nichols Seconded By Sen. Tollefson

Senators	Yes	No	Senators	Yes	No
Senator Urlacher - Chairman	✓		Senator Nichols	✓	
Senator Wardner - Vice Chairman	✓		Senator Seymour	✓	
Senator Syverson	✓				
Senator Tollefson	✓				

Total (Yes) 6 No 0

Absent

Floor Assignment Sen. Nichols

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

REPORT OF STANDING COMMITTEE (410)
February 7, 2003 8:47 a.m.

Module No: SR-24-1940
Carrier: Nichols
Insert LC: 30223.0301 Title: .0400

REPORT OF STANDING COMMITTEE

SB 2222: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2222 was placed on the Sixth order on the calendar.

Page 1, line 2, after "sections" insert "4-14.1-07,"

Page 1, line 3, after "39-04-39" insert a comma

Page 1, line 6, remove "and" and after "appropriation" insert "; and to provide an effective date"

Page 3, after line 11, insert:

"**SECTION 5. AMENDMENT.** Section 4-14.1-07 of the North Dakota Century Code is amended and reenacted as follows:

4-14.1-07. Duration and limitation of ethanol plant production incentives. ~~Notwithstanding any other provision of law, an ethanol plant may not receive production incentives except as permitted under this section.~~

~~1.~~ ~~An ethanol plant that was in operation before July 1, 1995, may not receive production incentives in the form of direct payments from the state for more than fourteen fiscal years of operation after June 30, 1995. An ethanol plant that begins operation after June 30, 1995, may not receive production incentives in the form of direct payments from the state for more than fourteen fiscal years of operation. After December 31, 2009, the state may not provide production incentives in the form of direct payments to any ethanol plant.~~

~~2.~~ An ethanol plant that was in operation before July 1, 1995, and which has a production capacity of fewer than fifteen million gallons [56781000 liters] of ethanol may receive up to ~~seven~~ five hundred ~~fifty~~ thousand dollars in production incentives from the state for production in a fiscal year. An ethanol plant that was in operation before July 1, 1995, and which produced fifteen million [56781000 liters] or more gallons in the previous fiscal year ~~and an ethanol plant that begins operations after June 30, 1995, are each~~ is eligible to receive ~~an equal share in~~ up to ~~five~~ two hundred fifty thousand dollars in production incentives from the state in a fiscal year."

Page 4, after line 12, insert:

"**SECTION 9. EFFECTIVE DATE.** Section 8 of this Act becomes effective on July 1, 2005."

Renumber accordingly

2003 SENATE APPROPRIATIONS

SB 2222

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2222

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 2-14-03

Tape Number	Side A	Side B	Meter #
1	X		0-4481
Committee Clerk Signature Sandra Davison			

Minutes: Chairman Holmberg opened the hearing to SB 2222. A bill relating to ethanol product subsidies. Attendance was called, a quorum was established. (Meter 150) Senator Klein, District 14: Prime sponsor of the bill and explained the bill to the committee. He feels this is a very good bill for the state and for the country. (Meter 240) Chairman Holmberg: The intention is not to pass the bill out today. (Meter 272) Representative Chet Pollart, District 29: Cosponsor on the bill and feels it is economic to the government during construction and as well as after the plant is built. It has a market based philosophy as far as ethanol incentive, it brings added agriculture in and it is environmentally friendly when you compare ethanol to MTBE. Shows his support and asks for a favorable consideration. (Meter 317) Chairman Holmberg: Appropriations involved in HB 1019, there is a section in that. Is that still in HB 1019? (Meter 341) Rep. Pollart: Yes, the funding is in the department of commerce, now where the dollars are, I am not sure. (Meter 366) Representative Mueller: Supports this unique legislation which it includes a whole package of economic development including jobs, corn prices, the plant allows for investments.

Ethanol is about clean air and is good for the environment. (Meter 549) Senator Krauter: In section 6 of the bill, it talks about vehicle registration, was that intended to be a transfer or an increase of fees? (Meter 588) Rep. Mueller: There is no increase in registration fees as I understand the bill. We are talking about some movements of money. Ethanol moneys that are currently being utilized for support of plants and plant productions. (Meter 647) Terry Wanzick, ND Corn Utilization Council and ND Corn Growers: See written testimony Exhibit 1. (Meter 1129) Senator Mathern: Do you know would the plant that would be built have sales tax on the construction materials? (Meter 1158) Terry Wanzick: There are some economic development incentives within the state when you plan to build a plant to help encourage growth. I'm sure you would have to have an application to the state tax department to receive them. (Meter 1179) Senator Mathern: He would like some to let the committee know if there is provision for a waiving of the sales tax for this kind of plant for construction materials. (Meter 1220) Duane Dows: Written testimony Exhibit 2 and used flip chart to show corn processing methods. (Meter 2105) Mike Clemens: See written testimony Exhibit 3. He also handed out written testimony from James Schmidt, Exhibit 4. (Meter 2416) Senator Christmann: Your plant in SD that you are invested in, is the 2.5 gallons of ethanol per bushel of corn is that industry standard? What kind of fuel is used to operate the plant and how does the cost of the fuel correlate as a percentage to the cost of the corn that you use? (Meter 2471) Mike Clemens: The plant I am invested in is at Milbank SD and we use natural gas as the energy source to the plant. The natural gas is used for drying the DDGs. And the plant itself to cook the mash. The also have the opportunity to use the excess steam from the power plant there to help with costs when natural gas prices get too high. (Meter 2540) Senator Christmann: Would you say your natural gas would be the same as the corn costs? 10%? (Meter 2556) Mike Clemens: About 15% of the variable costs are in your energy costs to the plant which include natural gas, your buying of steam and your electric costs in the plant. (Meter 2572) Senator Christmann: Most of that 85% is the corn? (Meter 2573) Mike Clemens: 70% of your variable is the corn. (Meter 2587) Senator Christmann: repeated the question about the 2.85 gallons of ethanol per bushel of corn the industry standard? (Meter 2591) Mike Clemens: That is the industry standard of last year, the new plant like the one in Watertown, SD, the last one to come on line will probably be 3 gallons. (Meter 2625) Senator Bowman: You are asking the state to put three million seven hundred and eighty five thousand dollars into ethanol projects, so that we can return back six hundred and sixty four thousand dollars each year into the general fund. Over ten years that is a thirty seven million dollar expenditure and a six million dollar return to the tax payer in direct back to the general fund. That doesn't seem to be a very good risk for the state's money rather than for the protect of those investing in the ethanol plant. With all the short falls, was that a good investment in the other states, if that was indeed, because the increase in corn in Bowman county isn't due to an ethanol plant, it's due to a feeder lot. The price of corn is directly related to the price of feeder cattle, if we spent seven hundred thousand dollars on feeder cattle, we would have a market for your corn. A big market that you never seen before. So have you looked at those figures rather than just the ethanol, look at the actual feeding of our livestock and try to create an environment for that? (Meter 2748) Mike Clemens: With the ND Corn Growers, part of our action team is a marketing action team that we work with. James Schmidt is here and he works directly with that, and he can answer a lot of cattle feeding questions at looking at what we have been doing at NDSU, feeding DDGs, feeding shelled corn, and developing this type of industry in the state. I am part of the marketing action team and we deal with ethanol production. The idea with this is, we are going to take the starch out of the corn, we are still going to have the feed available to feed these cattle, we want to capture that added value potential. Two different markets. (Meter 2850) Lance Gabe, works for Governor Hoeven as an Agriculture advisor: See written testimony Exhibit 5. (Meter 3380) Senator Bowman: His point is that they haven't been weaned off of the incentive program, we heard after 10 years they would be weaned off. Once they get into the habit of getting that incentive, it's pretty nice for the bottom line in business to have a million or a three million dollar gift from the state. (Meter 3427) Lance Gabe: As this bill was originally introduced, it did not include the existing ethanol plant, it was only designed for new plants to create that incentive for new operations. It has since been amended. The funding source for that appropriation for the half a million isn't identified in this bill, it just states it may happen. Its not budgeted for it. He named several cities interested in ethanol plants. The governor does support this bill. (Meter 3557) Senator Krauter: The one cent withheld from the ag fuel tax, is that in HB 1019 also or does that just have to do with the registration fees? (Meter 3574) Lance Gabe: Yes, HB 1019 has 3.785 million budgeted for the appropriations. (Meter 3603) Senator Krauter: Is there any legislation that there is a cap on this? (Meter 3618) Lance Gabe: It is indicated that it would be three million per year so it would be a six million dollar cap per biennium. Up to 30 million for 10 years. (Meter 3660) Lance Gabe: He could answer a question previously asked by Senator Mathern about construction tax exemptions. An operation like this, according to tax commissioner's booklet on sales tax exemption, they would not pay sales tax on the construction materials for a plant like this nor any equipment specifically used for this. (Meter 3713) Todd Kranda, Elkan, ethanol plant: will answer any questions about the plants. He does support SB

2222 and its amended version. The original bill started out without his existing plant but was amend to include them. (Meter 4219) Curt Peterson, Associated General Contractors: Opposed to this bill. We think it has an implication on highway funding and as of yesterday the federal government has approved a new national highway act. That in itself because there is an increase that will call for more matching dollars from ND if we are going utilize all of those funds that will be available to us. (Meter 4346) Senator Krauter: In your written testimony can you break out what affect that government funding would have. Get into the numbers. (Meter 4389) Curt Peterson: Yes, I can get that for you. (Meter 4394) Senator Tallackson: I think the committee should know, this has always been an argument against ethanol, and back several sessions ago, we created our own funding for ethanol by extending their vehicle to a sixth year and that created over two million dollars. The last two sessions, that has been included in the highway trust fund and left there. So actually the funding that we created in the first place, is there but it is coming form a different source. Chairman Holmberg closed the hearing on SB 2222 (Meter 4481)

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2222 vote

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 2-18-03

Tape Number	Side A	Side B	Meter #
1		X	1299-2855
Committee Clerk Signature Sandra Dawson			

Minutes: Chairman Holmberg opened the hearing to vote on SB 2222. Chairman Holmberg stated that the was no amendment to this but there was a partner House Bill 1019. He discussed this with the folks is that we should pass the bill over to the House explained about the new plants and allow them to make additional changes. (Meter 1316) Senator Thane: I make a motion of a DO PASS , do you want me to make a motion to take the million dollars out? (Meter 1409) Senator Tallackson: I was going to offer an amendment to put the funding back to what it is this biennium until we can tie it in with 1019 as far as the funding is concerned. (Meter 1443) Chairman Holmberg: His understanding that if those amendment passed, we might as well kill the bill. If the bill dies the only thing that continues is the current situation - I am not advocating that, I am just saying that is my understanding. If we want to look at new plant, we got to pass the bill. (Meter 1485) Senator Tallackson: In all reality there won't be any new plant for two years. If you want to put some money in there in extreme case that it might, if you could spare some money in there. (Meter 1522) Senator Thane: If we sent the message by killing this bill, it will three or four years for a new plant. (Meter 1535) Senator Andrist: Had the same concern that if the bill there at least the people planning and promoting and trying to put it together, will know they have some availability. (Meter 1570) Chairman Holmberg: Stated once again to clarify his position is not a suggestion to kill the bill. (Meter 1588) Senator Andrist: was told that the Department of Transportation believes that they could take this money out of the Highway Trust Fund without jeopardizing federal highway money. Since that has a long ways to go in the House anyway, they may have more information later. He is in favor of moving the bill out. (Meter 1631) Senator Tallackson: One way to take care of that is to put language in there but if a new plant were to come on, they could split proceeds. Didn't want to put amendments on if it was going to get killed. (Meter 1668) Senator Robinson: Wanted a clarification from Roxanne Woeste, Legislative Council, the bill as it exist with the Senate amendment and what went on in the Senate Finance and Tax committee. What do they have before them? (Meter 1700) Roxanne Woeste: Was not able to furnish a summary of bill, looking at it for the first time. (Meter 1721) Senator Schobinger: Is there new money on page 3, line 31 of the bill and putting in new language clarification. (Meter 1790) Celeste Kubasta, OMB: Clarified the money and where the money come from registration of farm trucks. . (Meter 1863) Senator Christmann: If we want to decrease current dollars, 2.5 million this biennium, so if we wanted to keep at same dollar amount change fifty on page 4 line 12 to thirty-five. Is that correct? (Meter 1986) Celeste Kubasta: No calculator at hand but that sounds close. (Meter 2061) Roxanne stated that Allen Knudson was coming down, he prepared the amendment. (Meter 2119) Chairman Holmberg summarized what they were looking at the first engrossment on the suggestion from Senator Christmann about changing the fifty percent to thirty-five. What affect would that have on the fiscal note? (Meter 2175) Allen Knudson explained the amendment and how the fiscal note would be affected. That would be 2 million four hundred and fifty thousand dollars. (Meter 2239) Senator Robinson: Have Allen explain the amendments would generate how many dollars we would try funding for Rohalla and Grafton, at what level and how much money would we be rolling up for new construction? (Meter 2229) Allen Knudson: There is no formula in the bill now determining how long Grafton and Rohalla would get paid. The formula is only on construction after July 31, 2003. Doesn't apply to them. It does indicate how much they would be eligible for but actually the formula for deciding how much they get per gallon, that has been historically in the commerce budget, it not in that bill nor this bill. They would be eligible for what is listed, up to five hundred thousand per year and the other up to two hundred and fifty thousand. (Meter 2283) Chairman Holmberg stated the committee doesn't have time to redo the formula and wanted someone to make a motion to drop the fees in the formula to thirty-five percent and see if that can pass the bill out. A motion to amend was made by Senator Christmann and a second by Senator Thane A voice vote passed an amendment for LC to prepare. (30223.0401). More discussion was about what the intent was to be in this bill but to keep the concept alive. The first priority was budgetary measure not policy measures. (Meter 2855) A DO PASS AS AMENDED by Senator Thane and a second by Senator Robinson. A roll call vote was passed by 12 yeas, 1 nays and 1 absent. The bill and amendments were carried by Senator Nichols.

30223.0401
Title.

Prepared by the Legislative Council staff for
Senate Appropriations
February 18, 2003

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2222

Page 3, line 9, replace "fifty" with "thirty-five"

Page 4, line 12, replace "fifty" with "thirty-five"

Renumber accordingly

Amendments by LC 30222.0401

Date: 2-18-03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2222

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 30223.0401

Action Taken DO PASS AS Amended

Motion Made By Thane Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Senator Holmberg, Chairman	✓				
Senator Bowman, Vice Chair	✓				
Senator Grindberg, Vice Chair					
Senator Andrist	✓				
Senator Christmann	✓				
Senator Kilzer	✓				
Senator Krauter	✓				
Senator Kringstad	✓				
Senator Lindaas	✓				
Senator Mathern	✓				
Senator Robinson	✓				
Senator Schobinger	✓				
Senator Tallackson		✓			
Senator Thane	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Amendments carrier? Nichols

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

REPORT OF STANDING COMMITTEE (410)
February 19, 2003 9:07 a.m.

Module No: SR-32-3239
Carrier: Nichols
Insert LC: 30223.0401 Title: .0500

REPORT OF STANDING COMMITTEE

SB 2222, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). Engrossed SB 2222 was placed on the Sixth order on the calendar.

Page 3, line 9, replace "fifty" with "thirty-five"

Page 4, line 12, replace "fifty" with "thirty-five"

Renumber accordingly

2003 HOUSE AGRICULTURE

SB 2222

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2222

House Agriculture Committee

☐ Conference Committee

Hearing Date 3---13---03

Tape Number	Side A	Side B	Meter #
ONE		B	03.8 TO 48.3
TWO	A		00.0 TO 27.3
Committee Clerk Signature	Edward D Ellefson		

Minutes:

CHAIRMAN NICHOLAS : Committee members, we will open the hearing on SB 2222. We have Representative Pollert to start it off for us this morning.

REPRESENTATIVE POLLERT: Mr. Chairman and members of the committee. My name is Chet Pollert DISTRICT 29. In front of you today is SB 2222. The Ethanol incentive bill. My comments are going to be brief. We have a lot of testimony this morning. What the bill dose. It creates an ethanol incentive. We are looking a bill for about $2,800,000.00. The bill also has in, right now the way the bill is written, it is five hundred thousand. A draft of for $250,000.00 for Wahalla. When I distributed it out, there are some amendments which you will see because SB 2222 is currently in front of you we can't get that mechanism out to them. The reason for the amendment is point o five o three. After line three it inserts that language. That dose get them some money. That was not definitely defined when it came over from the Senate. Also in the amendment you will see it say from thirty five to fifty which relates with

The registration fee and someone else will talk about that. Basically get us from two point five million dollars up to three point five million. So the total will be three point eight million. Mr. Chairman, I know that is really brief. This is an excellent bill and I sure hope for your positive vote.

CHAIRMAN NICHOLAS: We will hold the questing of the legislators.

TOM TRENBEATH: DISTRICT 10. Which is most of Pembina County, Caviler County And a share of Towner County these days. We have the largest producer of ethanol in North Dakota in our District at Wahalla. That is there partially due to existing legislation which has a sun set clause on it. And naturally these people as well as I expect the people of Grafton that made considerable investment in there plants based on existing law. We would like to see that continue. I do stand in support of the amendments. Thank you for your time.

CHAIRMAN NICHOLAS: Thank you. Additional testimony

SENATOR TOLLEFSON: DISTRICT 16. I am from Grafton, N.D.

Mr. Chairman as you know we have been at this game for several sessions. Each session brings us a different proposal. My testimony today would be to keep it the way it is. Seven fifty for Grafton and five hundred for Wahalla. With some provision in there for the new plants that come on. In reality even if the plants were started this spring they would not be on until we met again in the next session. I would encourage you to look at that and keep it the same as it is.

CHAIRMAN NICHOLAS: Addition testimony.

SENATOR ERBELE: DISTRICT 28. I am here in support of SB 2222. The funding is very necessary to make this a viable facility. This facility in the past has made a lot of awareness

In the state of ND. As to the use of ethanol. The importance of it to our state. I think to continue to support would be the right move. I ask that the committee to support this bill based on what the amendments will do and I understand there will be an amendment brought into you To replace the funding. Support as amend ended.

DAVID MONSON: DISTRICT 10, North Eastern North Dakota. I think that Senator Trenbeath said everything that I would have to say. We have some people from Walhalla and they will explain. We would appreciate your support.

WAYNE TIEMAN: DISTRICT 10. Cavalier, Part of Pembina, Part of Towner. I am here in support of SB 2222 with the Amendments. We have some people here from Wahalla. They are going provide more detail as to what we have. The facility up there, We are the largest producer of ethanol in ND. We would like to see the funding remain at what it is. Thank you very much.

REPRESENTATIVE MUELLER: DISTRICT 24. I am here in support of SBS 2222. I think it is only fair that those folks that currently have production facilities in ND. Do have some consideration. The issue becomes to what extent. I am going to give just a bit of back ground of 2222 and ethanol in general. Very recently, a couple of senators in Washington reintroduced a renewable fuel standard. There has been a lot of discussion going on during the past couple of years. Energy policy in the US. One of the things that is becoming abundantly clear there is a call for an additional 5 billion gallons of ethanol. That is a huge number. In ND we need to step-up and be part of that process. It is kind of a fun bill to be part of. The whole package has to do with ND'S economy. Jobs will come from new ethanol plants.

Cost of the plants alone. Forth Million dollars. That is big money. Farmers stand to get and additional ten cents per bushel of corn. Ethanol is about clean air. It is about the environment. Our reliance on foreign oil. Basically not good to be that reliant on foreign oil.

LT. GOVERNOR DALRYMPLE: SB2222 is a vary important bill in this legislative session. It is from the point of view from the Governors office a major part improvement of the economy and development and quality of life in ND. It is one of the key elements. It is about adding value to ND commodities. We think in terms of ND not being. A big corn state but I think The corn growers will educate you a little bit. ND is actually 17 in the nation as to corn growing.. We are rising up the ladder. It is going to be a different world. There is a lot of spin off from an investment of this size. Tremendous amount of transportation in and out of the factories. Huge amounts of feed. It will spawn the creation of dairies. South Dakota has five large factories and Minnesota has thirteen. I don't know why ND should not be part of this movement. It is all about the environment right now. Clean air issue. WE are in best position for shipping to California. Those who don't want the plant are not looking at the big picture. Energy independence is important. We should have new plants. Create an incentive to build new plants in ND. As a matter of policy in the Governor office the Governor dose feel that we should target our limited resources to the construction of new plants. The money is only spent if the plants do come on line and produce ethanol. Communitas that have been working with investors are Valley City, Jamestown, Richardton and Williston and perhaps one other. I hope you will give this bill a do pass.

ROGER JOHNSON: I am happy to appear in support of SB 2222. You have heard a lot of testimony already about what the bill does. I echo my voice to there thoughts. Mr. Chairman, I think everyone in this room know that you deserve a fair amount of credit for moving this bill forward. For that we thank you. Congratulations.

{ROGER JOHNSON HAD PRINTED TESTIMONY. PLEASE READ.}

I would urge that you do adopt the bill. In Minnesota it leads the country in ethanol development. It is interesting to not that in Minnesota 90 percent of the gasoline that is sold is some sort of an ethanol blend and in SD the percentage is about 60 percent. Here in ND it is just over twenty five percent. What is happening in other states that we can do in ND.

Tax credits, payment incentives. Public education.on ethanol. Minneapolis was required to use ethanol because of the clean air situation. Minnesota has made that a state requirement presently. In ND we need to do a whole lot more. We need to provide incentives.

This a value added opportunity. Imports of oil are on page 6 of testimony. We have gone backwards as to dependence on foreign oil. Ethanol is a renewable fuel. I urge a do pass.

REPRESENTATIVE KELSCH: We are talking here about getting mandates for ethanol. And the only state in the union that mandates ethanol is Minnesota. Yet other states have ethanol use and the usage has increased and I guess I am just curious what you attribute that to and the second part of the question is what do you as the Agriculture Commissioner of ND what are you and your department doing to promote the use of ethanol?

ROGER JOHNSON: Minnesota is the only state that has mandates. Other states are doing A whole lot more. There are several reasons for that. Certainly one reason for that is that other states produce more corn so there are some economic advantages that they have over us. Secondly if you look at my testimony with respect to SD it provides substantial incentives at the pump and a number of other states provide those incentives also. I think you will hear from

Testimony from some of the corn growers in better details then I can. Incentives cost money. You have two ways of doing this. Either provide incentives which generally come from public resources or you provide some sort of a requirement like you do in lots of other areas. In my judgment we ought to be doing both. This bill as you know dose not provide for a mandate. I would encourage you to put it in. I would be supportive of it.

REPRESENTATIVE NICHOLAS: Other testimony.

TERRY WANZEK: Terry passed out testimony. {please read Terrys testimony}

I farm near Jametown. I raise corn I am also here today representing corn growers and corn utilization. I am here to speak in favor of SB 2222. See Documents. This is an economic development program.

CHAIRMAN NICHOLAS: We will keep this going.

DUANE DOWS: N.D. CORN UTILIZATION COUNCIL. I farm in the Page area. The mission of the council is maintain and expand markets for corn. We believe that SB2222 is an excellent bill as to the corn markets in ND. So why do we need to expand the corn markets of ND. I would like to refer to my charts. {please see charts} speaks to production.

REP. MUELLER : Edward. A question came to mind as I have looked at this issue and heard the concerns of Grafton. How would your plant up there feel about also doing acontracycicle plan as to an outright subsidy

EDWARD: I have spoken to the people at the plant. They have no problem with that what so ever. The key issues on subsidy or support as brought out on our chart and there is a low market. This upgrades the risk. We need something to maintain it. It is like farm subsidy.

It is a safety net more then a direct payment. That is right and proper, You should not just close the door and say because you have been here for ten years you should not need us any more because you are a big corporate company.

CHAIRMAN NICHOLAS: Any additional questions.

MILO EANERSON: I am the city administrator of the city of Grafton. I stand before you today in support of SB 2222 and the amendment that would put the subsidy back to where they were last session. I would like to make a couple of points. You have hear testimony as to the infusion of forty million dollars would mean for a new facility. I just want to make sure that you realize what these current plants mean to the communities where they already exist. In Grafton we are lucky. The ethanol plant purchases water and electricity from the city of Grafton. The ethanol plant provides jobs. There are in the neighborhood of forth jobs. These are not minimum wage jobs. They are of good quality. Higher paying jobs. Not to mention all the producers. Show your support of existing facilities.

CHAIRMAN NICHOLAS: Any questions.

THOMAS KELSCH: I am here representing ALCHEM. We run the plant in Grafton. We do have 40 to 50 employees. We have been receiving last biennium $750,000.00 per year The ADM plant was receiving $500,000.00 per year. We do support the amendment that Vice Chairman Pollert passed out. It is crucial that we have the amendment.
We would request another amendment. Putting the level up to where it was this past biennium. It is a simple amendment. Basically what it does is that it would change back to what it was. We feel that the legislature has shown some commitment to the existing plants. The language in the existing law has indicated for ten years that this, the subsidy, would continue to be there.

The Grafton plant has incurred about $400,000.00 in the last three years promoting ethanol. They have spend considerable amounts of money up dating there plant. Went from natural gas to coal. We would encourage the support of this bill with the two amendments.

REPRESENTATIVE BELTER: Asked the question what the two plants had received money wise in the past ten years. Tom was uncertain as to the amount.

TOM ROLFSTEAD: Williston ND There is a lot of Federal pressure on this issue. We will see probably 30 plants built in this country. It is somewhat a question of how many of these plants do we want in ND. You legislators have done a wonderful job with the Grafton and Wahalla plant.

NICK SINNER: I am currently service as the Executive Administrator for the Barley Council. The Barley Council is in support of this bill. We think the ethanol industry is good for ND.

ERIK AASMUNDSTAD: NDFB We support this bill.

MARK SITZ: NDFU We support SB2222

CHAIRMAN NICHOLAS: Mr. Gabe.

LANCE GABE: I work for Governor Hoven. Two questions that Representative Belter asked. The answer to the existing plants there was ten million nine hundred and eight five thousand for ALCHEM. There was six million two hundred and twelve dollars for the DAM plant in Wahalla. For a total of $17,197,945.00 total. {{PLEASE SEE BROCHURE AS TO ETHANOL PRODUCTION INCENTIVE PROGRAM--HISTORY.}} You had also requested an explanation of the fiscal note. Under current law there is a two and a half million dollar transfer from the high way distribution fund for the existing ethanol census. This would specify that the source Within the highway distribution fund as the bill is currently engrossed

35 percent of the farm vehicle registration and farm trucks and that would generate two hundred and forty five thousand per biennium. {please read bill as to figures as to distribution of funds } The concept is that the funds would build up. Two point seven three five million and the presumption was that there would not be an eligible ethanol plant on line the first year. This bill automatically transfers that amount into the ethanol production fund. The concept is that the Fund would build up with this two point seven three five million and the presumption was that there would not be a legible line the first year. The potential obligation is six million per biennium. As the bill was introduced and budgeted in the Governors budget receive three point eight million per biennium. It would grow and we would have at least a six dollar central obligation. With the amendments put in place by the other body it dose reduce the amount. In that fund it also makes an obligation to the ethanol plants. Section 3 that no eligible facility may receive more then three million dollars annually in payments under section 21 of act. The concept is that we would not have an obligation the first two years. I will answer any questions.

CHAIRMAN NICHOLAS: Could you tell us what the amendments that Mr Kelsch. Have you seen the amendments that Mr. Kelsch presented us.

LANCE GABE: I have not seen them. They have been described to me.

CHAIRMAN NICHOLAS: It would increase from two fifty and five to five and seven fifty. What would that do to the.

LANCE GABE: We would have two point seven three five million in the fund and if the amendments were adopted would two and one half million.

CHAIRMAN NICHOLAS: That would leave use two hundred and fifty thousand.

LANCE GABE: That is correct. Amendments that we would like you to consider as was budgeted in fact for the Department of Commerce is that we would take 50 percent of the highway distribution funds which would at least have three and a half million for that transfer. So that there is two point four five million. And that amount was accounted for in the DOT budget.

CHAIRMAN NICHOLAS: So if we left this subsidy ,if we did adopt these amendments and no new plants come on line we would still have adequate money to put it out at this level for current biennium?

LANCE GABE: This bill also creates a continued appropriation for the ethanol credit fund so that the fund builds.

REPRESENTATIVE POLLERT: Thank you Mr. Chairman.

Lance, As to incentives.

LANCE GABE: I have copies for everyone. There is a spread sheet with the formula numbers. In the bill as written says if corn is higher then a dollar eighty the subsidy starts to kick in to a dime.The second page of the spread sheet is probably easier to decipher. {Please see spread sheet} Lance said he took last six years to use as to the spread sheet. Using average Corn price according to the USDA and then I used the Neb. Ethanol average price and the amount we would have paid for fiscal year is about one point six million dollars. The amount for each of the years a listed. For example in 1997 we had relatively high corn prices that would have max'ed out at three point three million. The bill as written only would supply three million annually.

REPRESENTATIVE BELTER: Give me those numbers again as far as money out of the Distribution fund.

LANCE GABE: Current biennium transfer from the highway distribution fund is two and one half million dollars. That dose include that one cent portion of gas tax refund.

REP. BELTER : What is the one cent worth.

LANCE GABE: Three hundred thousand. Current biennium. It has been declining. This bill dose is specifically stated is farm vehicle registration. That generates the fifty percent Three and a half million.

REP. BELTER : What was the rational for changing from vehicle license plates and now we are changing it to farm vehicles license plates.

LANCE GABE: To have an identified source because we typically go through this exercise every session debating as to what the amounts will be. And how it should be taken from the high way distribution fund. The other factors would be then the percent to be refunded to farmers. Helping the agriculture sector.

REP. BELTER The fact that it is stated that it comes from farm vehicle registration fund whether it comes from farm vehicle registration or from all registration funds. The fact of the matter is it is still the same distribution fund. Is that not correct.

LANCE GABE: It dose come from the same pool of funds. It identifies the amount.

REP. BELTER What is the total bushel of consumption of plants.

LANCE BELTER: No I don't.

REPRESENTATIVE KELSCH: Under this concept, what is the maximum amount a plant receives in ten years. A new plant.

LANCE GABE: 30 million dollars.

REP. ONSTAD: The gallon being produced by these plants. Are they at there maximum. Or is there an ability to grow those plants.

LANCE GABE. I believe that the plant in Grafton is fairly close to capacity. The plan in Wahalla in fact is going to expand.

CHAIRMAN NICHOLAS: Any other questions.

VICE CHAIRMAN POLLERT: A comment as to the question the dollar amount that would be available. If the Vice Chairman Pollerts amendments that would increase it from 35 to 50 percent would also pass the committee then there would be three point eight million biennium so if you did also pass our proposed amendment to raise it up to the 2 point 5 million per biennium you would have one point three million per biennium left to be put away for new plants.

CHAIRMAN NICHOLAS: That is a substantial difference.

Other testimony.

TERRY WANZEK: Handed out testimony from Gene Schmidt:

CHAIRMAN NICHOLAS: WE WILL CLOSE ON SB 2222

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2222

House Agriculture Committee

☐ Conference Committee

Hearing Date March 14, 2003

Tape Number	Side A	Side B	Meter #
2	X		89-1230
Committee Clerk Signature	Elizabeth B Fein		

Minutes: **Chair Nicholas:** Opened discussion on SB 2222

Rep. Pollert: Passed out amendment .0505 and went over the amendment. Raising to "forty percent" will raise approximately $300,000. The amendments will treat Grafton and Walhalla equally. This will allow weaning off from old plants.

Rep. Belter: What will be the total cost? Rep. Pollert said a bit over $3M. They will need a new fiscal note. $285,000 will come from the 1 cent refund. The rest will come from the highway tax fund.

Rep. Onstad: Page 3, line 3, would the new 10 year period be for old plants? Pollert said no. Onstad then asked when they are weaned. Pollert said that is not defined. The 10 years is for the new plants.

Rep. Mueller: Are we giving $1.8 M to Grafton and Walhalla over 2 years? Pollert affirmed this, but added that he is not sure how this will be received. The amendment brings $1M for new plants and leaves $300,000 for old plants.

Rep. Mueller: Are we missing the boat by going to 50%. Rep. Nicholas said they were advised that this is a realistic number.

Rep. Kingsbury: Appreciates the compromise.

Rep. Mueller moved to amend SB 2222. 2nd by Rep. Kingsbury.

Voice Vote: Amendment is adopted.

Rep. Pollert moved to DP as amended and rereferred to appropriations. Rep. Boe seconded.

Vote: 13 Yes 0 No 0 Absent and not voting

Carrier: Pollert

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2222

Page 3, line 28, remove the overstrike over "~~seven~~", remove "<u>five</u>", and remove the overstrike over "~~fifty~~"

Page 4, line 2, remove the overstrike over "~~five~~", remove "<u>two</u>", and remove "<u>fifty</u>"

Renumber accordingly

30223.0503
Title.

Prepared by the Legislative Council staff for
Representative Pollert
March 13, 2003

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2222

Page 3, line 9, replace "thirty-five" with "fifty"

Page 3, line 13, after "Act" insert "and for use in paying ethanol production incentives under section 4-14.1-07"

Page 3, line 19, remove the overstrike over "~~1.~~"

Page 4, after line 3, insert:

"2. The agricultural products utilization commission shall determine the amount of production incentives to which a plant is entitled under this section by multiplying the number of gallons of ethanol produced by the plant and marketed to a distributor or wholesaler by forty cents. The commission shall forward the production incentives to the plant upon receipt of an affidavit by the plant indicating that the ethanol is to be sold at retail to consumers. The affidavit must be accompanied by an affidavit from a wholesaler or retailer indicating that the ethanol is to be sold at retail to consumers. Within ninety days after the conclusion of the plant's fiscal year, the plant shall submit to the budget section of the legislative council a statement by a certified public accountant indicating whether the plant produced a profit from its operation in the preceding fiscal year, after deducting the payments received under this section."

Page 4, line 12, replace "thirty-five" with "fifty"

Renumber accordingly

SB 2222
3-13-03

Date:
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 WITH PROPOSED Amendments

Action Taken DP as amended + rereferred to Approp.

Motion Made By Pollert Seconded By Boe

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 MELLER	✓				
REPRESENTATAIVE ONSTAD	✓				

Total (Yes) 13 No 0

Absent

Floor Assignment Pollert

REPORT OF STANDING COMMITTEE (410)
March 17, 2003 11:10 a.m.

Module No: HR-47-4887
Carrier: Pollert
Insert LC: 30223.0505 Title: .0600

REPORT OF STANDING COMMITTEE

SB 2222, as reengrossed: Agriculture Committee (Rep. Nicholas, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed SB 2222 was placed on the Sixth order on the calendar.

Page 3, line 1, replace "No eligible facility may receive" with "The agricultural products utilization commission may not distribute"

Page 3, line 9, replace "thirty-five" with "forty"

Page 3, line 16, after "**Incentives**" insert "- Report to budget section"

Page 3, line 19, remove the overstrike over "~~1.~~"

Page 3, line 28, replace "five" with "six"

Page 4, line 2, replace "two" with "three" and remove "fifty"

Page 4, after line 3, insert:

"2. The agricultural products utilization commission shall determine the amount of production incentives to which a plant is entitled under this section by multiplying the number of gallons of ethanol produced by the plant and marketed to a distributor or wholesaler by forty cents. The commission shall forward the production incentives to the plant upon receipt of an affidavit by the plant indicating that the ethanol is to be sold at retail to consumers. The affidavit must be accompanied by an affidavit from a wholesaler or retailer indicating that the ethanol is to be sold at retail to consumers. Within ninety days after the conclusion of the plant's fiscal year, the plant shall submit to the budget section of the legislative council a statement by a certified public accountant indicating whether the plant produced a profit from its operation in the preceding fiscal year, after deducting the payments received under this section."

Page 4, line 12, replace "thirty-five" with "forty"

Renumber accordingly

2003 HOUSE APPROPRIATIONS

SB 2222

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2222

House Appropriations Committee

☐ Conference Committee

Hearing Date 03-20-03

Tape Number	Side A	Side B	Meter #
1	X	X	36.5 - 29.8
Committee Clerk Signature	Chris I. Nyhus		

Minutes:

Chairman Svedjan Opened SB 2222 for discussion. A quorum was present.

Rep. Pollert Explained the fiscal note by going section by section.

Rep. Timm Is there a number of year limitations?

Rep. Pollert Yes, it is on page 3 line 3.

Rep. Timm What are the limitations on the Grafton and Walhalla plant?

Rep. Pollert Look at section 8. That repeal takes affect in July 2005.

Rep. Timm How long have they been getting the incentive?

Rep. Pollert Grafton has received about 12 million dollars, Walhalla has gotten between 6-7 million dollars in total.

Rep. Timm Is there any incentive for new plants?

Rep. Pollert There is 1.285 million dollars in the next biennium's budget for new plants.

Chairman Svedjan What amount comes from the State Highway Distribution fund?

Rep. Pollert At 40%, it is 2.8 million dollars.

Rep. Kerzman Will farm vehicle registration fees go up?

Rep. Pollert You'll have to decide that.

Rep. Delzer The way the bill currently reads, it will just be reduced, there is no increase in the registration fee.

Rep. Pollert Correct.

Rep. Delzer You still have 3 million dollars for new plants in there. You still have a 3 million dollar annual for new plants.

Rep. Pollert Historically the average amount of the incentive was 1.6 million dollars.

Rep. Delzer Is it the Ag Committee's intent to give the incentive at 1.6 million dollars tops? The way it reads now it could appropriate 3 million dollars per year.

Rep. Pollert Correct. We deal with this every two years to get the appropriation.

Rep. Delzer I don't see it that way. I see legislative intent put in law that does not expire in this bill.

Rep. Pollert That was discussed in the Agriculture Committee talked about that.

Rep. Carlisle If this passes we won't see this any more.

Rep. Carlson 2.385 million dollars were funded to this last session. We took out the Governor's new money. In its original form all the money was to go to a new plant. I believe the money comes from the State Highway Distribution Fund. By doing this we are taking another half of million dollars out of that fund that could be used to fund highways. Do all vehicle registration funds go into the Highway fund?

Alan Knudson Yes.

Rep. Carlson Is there enough going in to cover what we are taking out?

Knudson That 2.8 million dollars, 40% of the farm vehicle registration will be that number.

Rep. Carlson If we were to calculate out the loss effect his would have on cities and counties by increasing this that extra half a million dollars, do you know what that would be?

Knudson 63% of that half million would affect the state and 37% would affect the cities and counties.

Rep. Carlson On an 80-20 match, how much of that are we not putting into road work.

Knudson 2.5 million dollars in total funds.

Rep. Gulleson Our neighbor states used incentives. How does their incentive relate to production?

Rep. Pollert I'm not sure.

Rep. Pollert Explained the confusion relating to amendment number 30223.0507. We worked off .0600. Council verified that.

Rep. Skarphol Please explain the hand out.

Rep. Pollert

Lance Gabbe, Policy Advisor to Gov. Hoeven Looked up historical prices of corn. He discussed charts handed out regarding corn and ethanol prices.

Rep. Skarphol The current price of corn is $2.20.

Gabbe I believe so.

Rep. Skarphol I thought that 2 years ago the price was in excess of $1.70.

Gabbe It does fluctuate relative to the gas price. That is a companion product. He referred to the chart. It was a bad economic year for ethanol except for the last two months.

Rep. Carlisle Where is the 2.5 million dollars sent over in the Department of Commerce's bill?

Sen. Robinson It is in subcommittee.

Rep. Carlisle You haven't made a decision?

Sen. Robinson Not at this point.

Rep. Carlisle If we remove the continuing appropriation, will that bring back the 2.5 million dollars?

Rep. Carlisle I move to amend out the continuing appropriation.

Chairman Svedjan I want to know all of the amendments.

Rep. Delzer The 3 million dollars a year bothers me. The 1.6 million dollars continually appropriated bothers me. I may look at them.

Rep. Skarphol I would like a report from LC and OMB regarding subsidies to plants by year per plant.

Chairman Svedjan So noted.

Rep. Kempenich Are we sunsetting all of the plants?

Rep. Delzer The 3 million dollar limitation is still in there. If the money is available it will go out at 3 million dollars a year.

Chairman Svedjan Closed SB 2222 for discussion.

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2222**

House Appropria ions Committee

☐ Conference Committee

Hearing Date March 26, 2003

Tape Number	Side A	Side B	Meter #
3	X		33.6
Committee Clerk Signature	Chris J. Nyhus		

Minutes:

REP. SVEDJAN Called the committee to order.

REP. MONSON Presented amendments #30223.0508 to the comm.ittee. This is a hoghouse and puts it the way the House Ag thought they were passing it out. These include all of Rep. Pollert's amendments.

REP. MONSON Made a motion to adopt the amendments as presented.

REP. WARNKE Second the motion.

REP. SKARPHOL Asked whether the fiscal note would stay the same.

REP. MONSON Stated yes. The Grafton plant would receive $600,000 and Wallhalla would receive $300,000 per year.

REP. TIMM Stated there was a half a million dollars difference in these amendments and what is in the Commerce Department budget.

REP. CARLSON Stated, originally when the Governor's bill came out, he had added 1.285 million dollars of new money to match the 2.5 million of old money for ethanol. We took out the new money, the 1.285, and it went back to 2.5 million. This raises it another $585,000.

REP. TIMM The amendment for the Commerce Department budget did not contain any money for the old plants?

REP. CARLSON Did not have any form of a distribution in it. All the money originally in the Governor's proposal, was already going to the new plant, none was going to the old plants.

REP. SVEDJAN Summarized what the hoghouse amendments did.

MOTION CARRIED TO ADOPT THE HOGHOUSE AMENDMENTS

REP. CARLISLE Presented additional amendments #30223.0509 This amendment gets rid of the continuing appropriation and takes it back to the 2.5 million which we passed out of the House.

REP. CARLISLE Made a motion to adopt the amendments as presented.

REP. GULLESON Stated she would resist the amendment, she stated it was important to keep the appropriation in there for start up projects.

Questions were raised regarding the amount of money in the amendment, and how the two amendments would work together.

After considerable discussion, Rep. Carlisle withdrew his amendments and his motion to adopt the amendments.

REP. DELZER Presented his amendments, stating his amendments leave the total distribution at 3.85 million dollars, in Section 3, they limit it to 1.6 million annually. They also set a ten million dollar limit, which also is in Rep. Carlisle's amendment. In Section 6, if three million dollars went into the fund and only 1.8 got used, when that fund hit 5 million, everything would go back to the highway distribution fund.

REP. DELZER Made a motion to adopt amendment #.0512 as presented.

REP. WARNKE Second the motion.

MOTION CARRIED BY VOICE VOTE.

REP. CARLISLE Made a motion to take out the continuing appropriation in the 0512 amendment.

REP. SKARPHOL Second the motion.

REP. WARNKE Stated she felt the continuing appropriation needed to be in there to attract someone to start up a plant in this state.

REP. DELZER Stated he could see both sides, so that is why he put the cap in his amendment.

Motion to adopt the amendment failed .

REP. BRUSEGAARD Made a .notion for a **DO PASS AS AMENDED.**

REP. MONSON Second the motion. **MOTION CARRIED 17 YES 5 NO**

REPORT OF STANDING COMMITTEE

SB 2222, as reengrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (17 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). Reengrossed SB 2222 was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the House as printed on pages 923 and 924 of the House Journal, Reengrossed Senate Bill No. 2222 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact four new sections to chapter 4-14.1 of the North Dakota Century Code, relating to ethanol production subsidies; to amend and reenact sections 4-14.1-07, 39-04-39, and 57-43.1-03.1 of the North Dakota Century Code, relating to the distribution of motor vehicle registration fees and the taxation of motor vehicle fuel for agricultural purposes; to repeal section 4-14.1-07 of the North Dakota Century Code, relating to the duration and limitation of ethanol plant production incentives; to provide for a continuing appropriation; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 4-14.1 of the North Dakota Century Code is created and enacted as follows:

Definition. In this chapter, unless the context otherwise requires, "eligible facility" means an ethanol production plant constructed in this state after July 31, 2003.

SECTION 2. A new section to chapter 4-14.1 of the North Dakota Century Code is created and enacted as follows:

Ethanol production incentive - Calculation - Payment. The agricultural products utilization commission shall provide quarterly to each eligible facility a production incentive based on the average North Dakota price per bushel of corn received by farmers during the quarter, as established by the North Dakota agricultural statistics service and the average North Dakota rack price per gallon [3.79 liters] of ethanol during the quarter, as compiled by the American coalition for ethanol. The amount payable as a production incentive must be calculated by including the sum arrived at under subsection 1 with the sum arrived at under subsection 2.

1. a. If the average quarterly price per bushel of corn is above one dollar and eighty cents, for each one cent by which the quarterly price is above one dollar and eighty cents, the agricultural products utilization commission shall add to the amount payable under this section one-tenth of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.

   b. If the average quarterly price per bushel of corn is one dollar and eighty cents, the agricultural products utilization commission shall add zero to any amount payable under this section.

   c. If the average quarterly price per bushel of corn is below one dollar and eighty cents, for each one cent by which the quarterly price is below one dollar and eighty cents, the agricultural products utilization commission shall subtract from the amount payable under this section one-tenth of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.

2. a. If the average quarterly rack price per gallon of ethanol is above one dollar and thirty cents, for each one cent by which the average quarterly rack price is above one dollar and thirty cents, the agricultural products utilization commission shall subtract from the amount payable under this section, two-tenths of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.

b. If the average quarterly rack price per gallon of ethanol is one dollar and thirty cents, the agricultural products utilization commission shall subtract zero from any amount payable under this section.

c. If the average quarterly rack price per gallon of ethanol is below one dollar and thirty cents, for each one cent by which the average quarterly rack price is below one dollar and thirty cents, the agricultural products utilization commission shall add to the amount payable under this section two-tenths of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.

SECTION 3. A new section to chapter 4-14.1 of the North Dakota Century Code is created and enacted as follows:

Subsidy limitations. The agricultural products utilization commission may not distribute more than one million six hundred thousand dollars annually in payments under section 2 of this Act. No eligible facility may receive state ethanol payments that exceed a cumulative total of ten million dollars. Change in ownership of an eligible facility does not affect the ten million dollar cumulative total allowed to be paid to that eligible facility under this section.

SECTION 4. A new section to chapter 4-14.1 of the North Dakota Century Code is created and enacted as follows:

Ethanol production incentive fund - Continuing appropriation. There is created in the state treasury a special fund known as the ethanol production incentive fund. The fund consists of transfers made in accordance with section 39-04-39 and deposits made in accordance with section 57-43.1-03.1. All moneys in the fund are appropriated on a continuing basis to the agricultural products utilization commission for use in paying ethanol production incentives under sections 2 and 3 of this Act and section 4-14.1-07.

SECTION 5. AMENDMENT. Section 4-14.1-07 of the North Dakota Century Code is amended and reenacted as follows:

4-14.1-07. Duration and limitation of ethanol plant production incentives - Report to budget section. ~~Notwithstanding any other provision of law, an ethanol plant may not receive production incentives except as permitted under this section.~~

1. ~~An ethanol plant that was in operation before July 1, 1995, may not receive production incentives in the form of direct payments from the state for more than fourteen fiscal years of operation after June 30, 1995. An ethanol plant that begins operation after June 30, 1995, may not receive production incentives in the form of direct payments from the state for more than fourteen fiscal years of operation. After December 31, 2009, the state may not provide production incentives in the form of direct payments to any ethanol plant.~~

~~2.~~ An ethanol plant that was in operation before July 1, 1995, and which has a production capacity of fewer than fifteen million gallons [56781000 liters] of ethanol may receive up to ~~seven~~ six hundred ~~fifty~~ thousand dollars in production incentives from the state for production in a fiscal year. An ethanol plant that was in operation before July 1, 1995, and which produced fifteen million [56781000 liters] or more gallons in the previous fiscal year ~~and an ethanol plant that begins operations after June 30, 1995, are each~~ is eligible to receive ~~an equal share in~~ up to ~~five~~ three hundred thousand dollars in production incentives from the state in a fiscal year.

2. The agricultural products utilization commission shall determine the amount of production incentives to which a plant is entitled under this section by multiplying the number of gallons of ethanol produced by the plant and marketed to a distributor or wholesaler by forty cents. The commission shall forward the production incentives to the plant upon receipt of an affidavit by the plant indicating that the ethanol is to be sold at retail to consumers. The affidavit must be accompanied by an affidavit from a wholesaler or retailer indicating that the ethanol is to be sold at retail to consumers. Within ninety days after the conclusion of the plant's fiscal year, the plant shall submit to the budget section of the legislative council a statement by a certified public accountant indicating whether the plant produced a profit from its operation in the preceding fiscal year, after deducting the payments received under this section.

SECTION 6. AMENDMENT. Section 39-04-39 of the North Dakota Century Code is amended and reenacted as follows:

39-04-39. Distribution of registration fees collected. Any moneys in the registration fund accruing from license fees or from other like sources, in excess of the amount required to pay salaries and other necessary expenses, in accordance with the legislative assembly's appropriation for such purposes, must be promptly deposited in the highway tax distribution fund which must be distributed in the manner as prescribed by law. The state treasurer shall transfer annually from the highway tax distribution fund to the ethanol production incentive fund an amount equal to forty percent of all sums collected for the registration of farm vehicles under subsection 5 of section 39-04-19 except that no transfer may be made in an amount that would result in the balance of the ethanol production incentive fund exceeding five million dollars.

SECTION 7. AMENDMENT. Section 57-43.1-03.1 of the North Dakota Century Code is amended and reenacted as follows:

57-43.1-03.1. ~~**(Effective through December 31, 2003)**~~ **Refund of tax for fuel used for agricultural purposes - Reductions.** Any consumer who buys or uses any motor vehicle fuel for an agricultural purpose on which the motor vehicle fuel tax has been paid may file a claim with the commissioner for a refund under this chapter. The amount of the tax refund under this section must be reduced by seven cents per gallon [3.79 liters] except for those fuels used in aircraft or with respect to refunds claimed by aircraft fuel users. Two cents per gallon [3.79 liters] withheld from the refund must be deposited in the agricultural fuel tax fund, one cent per gallon [3.79 liters] withheld from the refund must be ~~retained~~ deposited in the ~~highway tax distribution~~ ethanol production incentive fund, and four cents per gallon [3.79 liters] withheld from the refund must be deposited in the agricultural research fund.

~~**(Effective January 1, 2004) Refund of tax for fuel used for agricultural purposes - Reductions.** Any consumer who buys or uses any motor vehicle fuel for an agricultural purpose on which the motor vehicle fuel tax has been paid may file a~~

~~claim with the commissioner for a refund under this chapter. The amount of the tax refund under this section must be reduced by six cents per gallon [3.79 liters] except for those fuels used in aircraft or with respect to refunds claimed by aircraft fuel users. Two cents per gallon [3.79 liters] withheld from the refund must be deposited in the agricultural fuel tax fund and four cents per gallon [3.79 liters] withheld from the refund must be deposited in the agricultural research fund.~~

SECTION 8. REPEAL. Section 4-14.1-07 of the North Dakota Century Code is repealed.

SECTION 9. EFFECTIVE DATE. Section 8 of this Act becomes effective on July 1, 2005."

Renumber accordingly

2003 TESTIMONY

SB 2222

AgCountry™ Farm Credit Services

1749 38th St. SW • P.O. Box 6020 • Fargo, ND 58108
(701) 282-9494 • Fax: (701) 282-9618 • www.agcountry.com

January 27, 2003

To Whom It May Concern:

Re: Senate Bill No. 2222

AgCountry Farm Credit Services, a farmer owned lending cooperative, supports Senate Bill No. 2222. It is our interpretation that the Ethanol Production Incentive as proposed in the bill would increase the probability that new ethanol producers in North Dakota would be able to obtain financing for their facilities and startup working capital.

Even though this legislation would not provide the level of support that Minnesota producers have received (based on the past 10 year average price of ethanol and corn), the bill does provide some mitigation of risk during challenging market conditions.

While the payments as proposed are important, just as important if not more important, is the reliability of the funding of these payments. If the payments are subject to significant funding challenges in the future, lenders will heavily discount the value of the program.

AgCountry commends the states leaders for their foresight and support of value added agriculture in North Dakota.

Sincerely,

Don E. Wenell

Don E. Wenell
President/CEO

Roger Johnson
Agriculture Commissioner
www.agdepartment.com

North Dakota Department of Agriculture

Phone (701) 328-2231
Toll Free (800) 242-7535
Fax (701) 328-4567

600 E Boulevard Ave., Dept. 602
Bismarck, ND 58505-0020

Testimony of Roger Johnson
Agriculture Commissioner
Senate Bill 2222
Senate Finance & Taxation Committee
Lewis & Clark Room
January 28, 2003

Chairman Urlacher and members of the Finance & Taxation Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of SB 2222, which would provide ethanol plants production incentives for ethanol production plants constructed in the state after July 31, 2003.

Ethanol is a Growing Industry

North Dakota's two existing ethanol plants have a combined annual production capacity of approximately 34 million gallons per year and plans are in the works to construct a third plant in east-central North Dakota. Groups in the southwestern part of the state are also hoping to conduct a feasibility study on an ethanol plant to be located somewhere in that area. (See attached news article.)

The North Dakota Corn Growers Association estimates that 26% of the fuel sold in North Dakota is an ethanol blend – that compares with 65% in South Dakota and more than 90% in Minnesota. South Dakota provides an at-the-pump 2¢ tax incentive, which can sometimes make ethanol-blended gasoline as much as 6¢ cheaper per gallon than regular unleaded gasoline.

Ethanol is a Huge Success in Minnesota

These statistics beg the question – why is ethanol consumption at 90% in Minnesota? In 1980, Minnesota passed legislation that defined "agricultural alcohol" and created a 4¢ per gallon tax credit on blended gasoline as an incentive for retailers to blend ethanol in gasoline. Five years later, after creating a significant ethanol market, the tax credit was reduced to 2¢ per gallon. A 20¢ per gallon ethanol production payment was created in 1986 to provide incentives for constructing new ethanol plants in the state.

Minnesota also took steps during this time to provide public education across the state and to promote the growth of the ethanol industry. The 1990 Federal Clean Air Act Amendments provided the next impetus for additional legislation relating to ethanol. The Twin Cities Area was found to be out of compliance with EPA carbon monoxide standards and as a result was required to begin using oxy-fuel beginning in the winter of 1992.

In 1991, the Minnesota State Legislature passed legislation requiring a year-round 2.7% minimum oxygen content for gasoline sold in the Twin Cities by 1995, with the entire state meeting the requirement by 1997.

Today, ethanol replaces almost 10% (240,000,000 gallons) of the gasoline sold in Minnesota. Further, two new ethanol plants came on line in 1995 and since that time ten additional facilities have either been built or expanded. Twelve of the fourteen existing ethanol plants are designed in a cooperative fashion and are owned by over 8,000 farmers.

North Dakota Can and Should Do More to Promote Ethanol

Minnesota's ethanol success story should serve as a lesson to us in North Dakota. The 58th legislative assembly is also considering legislation that would provide for a requirement that all 87-octane gasoline contain 10% ethanol. While some may be inclined to support production incentives over an ethanol requirement in gasoline, I would argue that we can and should do both.

Elected officials on both sides of the aisle continually pledge their support for and speak to the benefits of value-added agriculture. I believe that it is time to put action behind the words. If we are truly looking to add value to agricultural products in this state and to encourage new markets and new products, we in government have to be willing to play an appropriate role to foster that process. I believe that increased production and use of ethanol in North Dakota and throughout the United States will provide additional value-added opportunities for our farmers and increase local demand for corn. We need to provide incentives to produce and incentives to consume ethanol.

According to an "Ethanol and the Local Community Study" conducted by AUS Consultants/SJH & Company, "...a 40 MGY ethanol plant will generate...additional revenue for local grain farmers by increasing demand, which in the case of corn, in most circumstances results in an increase to the average local basis of an estimated 5 to 10 cents per bushel."

And according to the Minnesota Department of Agriculture, processing corn products instead of exporting raw corn doubles the value of each bushel. In addition, ethanol plants not only produce fuel ethanol, they also produce a large quantity of co-products which can benefit other sectors of our economy. Livestock can be fed the high-protein feed that is a major co-product in ethanol production. Other co-products include: carbon dioxide, starch, sweeteners and industrial ethanol.

The legislation before you (SB 2222) provides "counter-cyclical" mechanisms for payments; thereby, providing payments to production facilities when corn prices are higher than $1.80 per bushel and eliminating the payments when corn prices fall below $1.80 per bushel. An additional "counter-cyclical" mechanism in this bill also provides payments to be made to production facilities when prices for ethanol fall below $1.30 per gallon.

High corn prices and low ethanol prices both diminish the profitability of ethanol production plants. These state incentives will provide some stability and predictability to the ethanol industry as new production facilities come on-line. The North Dakota Corn Growers are to be commended for recommending the "counter-cyclical" mechanisms as part of production incentives. This legislation is good public policy - it provides an appropriate level of support when the industry needs it and saves tax dollars when economics are more favorable.

Ethanol Can Help Decrease Dependence on Foreign Oil

I also believe that we must do more as a state and as a country to decrease our dependence on foreign oil today. The United States currently imports 57% of our oil supply versus approximately 45% during the energy crisis of the 1970's (Source: Energy Information Administration/Annual Energy Review). The following table shows the leading exporters of oil to the United States:

Country	Net imports (Thousand Barrels per Day)
Canada	1,828
Saudi Arabia	1,662
Venezuela	1,553
Mexico	1,440
Nigeria	885
Iraq	795

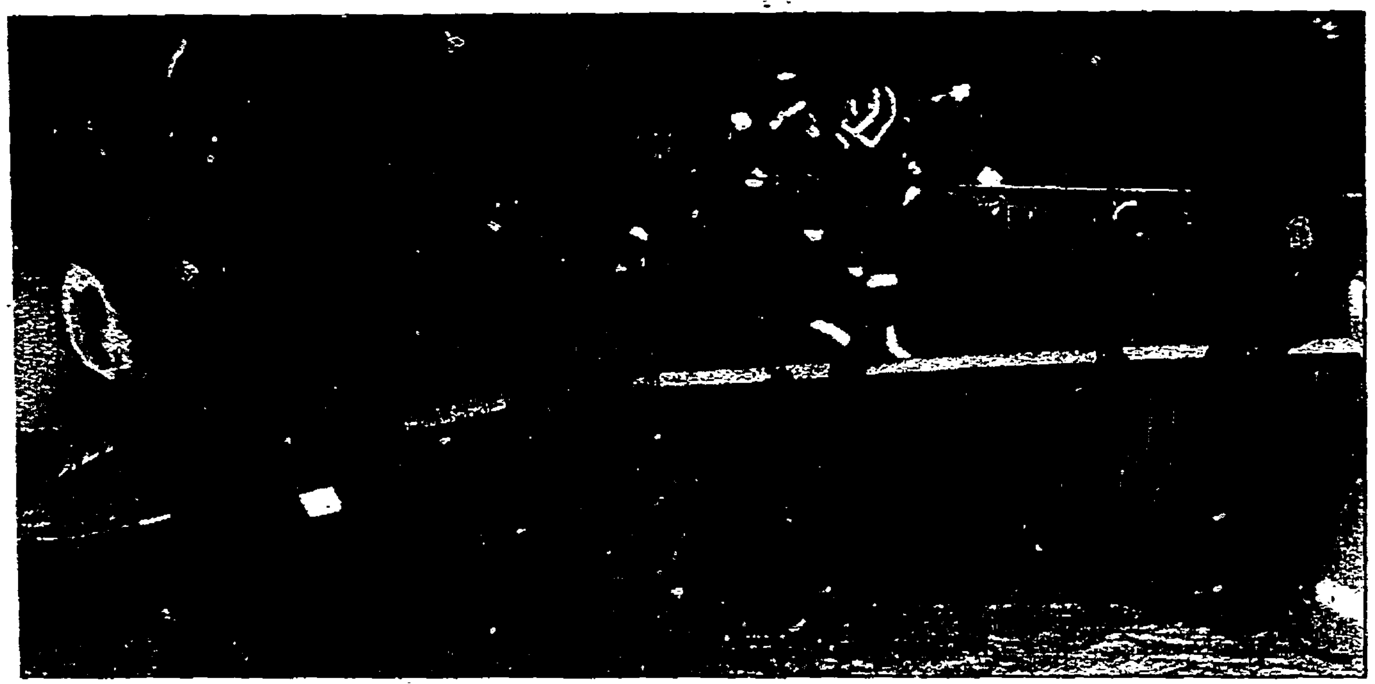
Source: Energy Information Administration/Petroleum Supply Annual 2001, Volume 1, Table 21

The stability of these imports seems questionable, especially during this time of crisis in the Middle East and with Venezuela on the verge of a civil war.

We can and must do more to promote the production and usage of renewable fuels such as ethanol and biodiesel. The US marketplace is too often overlooked by agriculture as we focus on acquiring new international markets. Biodiesel and ethanol are great examples of <u>new</u> demand as opposed to displaced demand often resulting from new international markets. Both are important, but new demand results in a bigger pie, not just a bigger piece of the old pie.

Conclusion

Ethanol is a renewable, domestic source of fuel and we should be producing and using more of it to lessen our dependence on foreign oil and at the same time create a value-added opportunity for our farmers and an environmentally-friendly choice to consumers at the fuel pump. Chairman Urlacher and committee members, I urge a do pass on SB 2222. I would be happy to answer any questions you may have.



AP

[…]l pull a snowmobile out of the Red River south of Fargo on Wednesday night after it was found by divers. […] the driver fell through thin ice under a bridge. Divers continued their search Thursday for Tyler Eicholtz, […] fell into the icy Red River on the snowmobile. Cass County authorities said the teenager and two […] snowmobiles on the river Wednesday night, traveling from the Minnesota side back into North Dakota.

[…]ch called off for Fargo teen

[…]rews drilled […]er cameras […]d River to […]er who fell […]ng a snow-

[…]er Eicholtz, […] suspended […]ay because […]unty Sher- […] Lt. Rich

[…]ere all day. […]it up again

[…]oles were look. If they find anything remotely close, they'll dive that spot."

Eicholtz and two friends were riding snowmobiles on the river near Moorhead, Minn., on Wednesday night, and had turned near a bridge south of Fargo when Eicholtz' snowmobile went through the ice, authorities said. His two friends saw a 10-foot-by-5-foot hole, Clay County, Minn., Sheriff Bill Bergquist said. They ran to a nearby home and called for help.

Eicholtz was a Fargo North High School senior. Principal Andy Dahlen said Thursday was a tough day for students at the school, and counselors and pastors were there to help them.

"We held a senior class meeting and had students in our gymnasium, and we reported the information that we had," Dahlen said. "There's always the attempt to at least console one another and to begin that grieving process."

Eicholtz was an "upbeat" […] rent rushed by the bridge beams.

Workers at the Wild Rice Bar and Grill, a hangout among snowmobilers less than two miles from the site, said late Wednesday they had not seen a sledder all night.

"On the Red, there aren't a whole lot of places (for snowmobilers) to cross, so most people cross near bridges," said Kody Moore, a bartender and snowmobiler himself. The funneling action of water beneath bridges can melt the ice, he

Group pledges money for ethanol study

RICHARDTON (AP) — The Stark Development Corp. has pledged $5,000 toward a feasibility study for a proposed ethanol plant here.

Jody Hoff, a supporter of the project, said officials are looking to raise the rest of the money needed for the $30,000 study.

The proposed $54 million plant in southwestern North Dakota would produce 40 million gallons of ethanol per year, Hoff said.

"It will take about 15 million bushels of corn per year to fuel the plant," he said.

North Dakota has two ethanol plants, in Grafton and Walhalla in the northeastern part of the state. Together, they produce more than 30 million gallons of the fuel additive annually.

Fargo-based Dakota Renewable Fuels LLC is considering whether to build a third plant, near Valley City or Wahpeton in southeastern North Dakota, that would produce 30 million gallons of ethanol per year.

Vocational education addition aired

MINOT (AP) — A $12 million vocational education addition to the high school here would serve other high schools, colleges and businesses, officials say.

"This is a dream," said Minot State University President Erik Shaar, who discussed plans for the addition Wednesday with Williston State College President Joe McCann, Minot Superintendent Richard Larson and School Board members.

Students and teachers who now attend classes in an aging building in downtown Minot also are eager for an addition. Welding teacher Blanny Nygaard estimated that his welding students lose an hour of class time each week driving between the campus and downtown.

Larson said funding for the project could come from private donations, school district funding, or state and federal funding. He said Rep. Mike Timm, R-Minot, plans to introduce a bill in the state Legislature seeking $4 million in state funding for the technical center.

Tourism expert offers ideas

GRAND FORKS (AP) — North Dakota has no Disneyland, but it has snowy owls that people would like to see, a Texas tourism expert says.

Ted Lee Eubanks spoke Wednesday at what was billed as the state's first Nature Tourism Conference.

"It's pretty simple: I cannot buy a snowy owl. I can't buy your history or your culture," Eubanks said. "Identify the resources that imprint us, and market those resources."

Chairman Urlacher, members of the Senate Finance and Taxation Committee,
My name is Terry Wanzek. I am a farmer from the Jamestown area, a corn producer, and also am here today representing the ND Corn Utilization Council. I am here to speak in favor of SB 2222. I want to point out some key points of the bill.

SB 2222, in our view, is first and foremost an economic development bill. The producer incentives in the bill are targeted towards new plant construction, new development, new economic activity. This is a key point that I wish to emphasize in my presentation. Taking into consideration that a new 30 million gallon plant would require an initial 40-50 million dollar investment up front to construct, and then also thereafter an annual gross business volume or gross receipts volume of approximately 40-50 million dollars, it is evident that a new ethanol plant would have a direct economic impact. Also, there would be a positive impact to local corn prices for our farmers, thus creating another alternative crop option competing for our farmers' resources and labor.

The producer incentives are funded by the registration of farm vehicles and also by the gas tax refunds for fuels used for agricultural purposes. In a sense, it is an added value proposal funded by farmers' dollars. I am sensitive to the concerns of using these funds in the Highway Fund. However, I do believe that the new developments or new economic activity that will be created will result in a net positive gain in the long term from this investment.

Also this bill has a counter cyclical component in the producer incentives. This formula is tied to the markets and results in incentives being paid when the plants are experiencing negative profit pressures, and results in potentially no subsidy when times are good, thus stretching dollars further. This bill also limits a plant's participation in the producer benefits to 10 years.

In summary, the major point to remember is that this proposal is an investment in our ND economy. It is an effort to expand and to further develop our economy towards the future. I believe it goes without saying, that any overall ND economic development program has to include an agricultural component, as it is our No. #1 industry. It is taking what we do best and building on it. I believe, given the recent events following 9-11, there will be a more concerted national effort to develop a renewable fuels policy. There will be opportunities, however, we need to put ND on a competitive level with surrounding states, in an effort to attract those investments and opportunities to ND. Again, this is an economic development bill, a jobs creation bill. Usually, any policy that is good for ND Agriculture ends up being good for all of ND. Thank you for your time and attention.

TESTIMONY
To the
SENATE FINANCE AND TAXATION COMMITTEE
Of the
NORTH DAKOTA LEGISLATURE

RE: SENATE BILL 2222

By Duane Dows
Chairman: North Dakota Corn Utilization Council

January 28, 2003

Chairman Urlacher and Members of the Committee:

Thank you for this opportunity to submit testimony on Senate Bill 2222. I am here today to urge your DO PASS vote on this bill that provides for a production incentive for new ethanol plants in North Dakota.

As Chairman of the North Dakota Corn Utilization Council, part of my reason for being here today is to carry forward the mission that the Corn Utilization Council is charged with according to the state statute that created the Council in 1992. Our first and foremost duty is market maintenance and expansion. Statistics show us that North Dakota has been moving forward faster with growing corn than it has with growing markets for that corn. Since 1997 corn production has increased by 45%. The 2002 corn crop was a record 111 million bushels. Indications are that planted acres will increase by 10% this coming spring over last spring. This growth in corn production is state wide. For example, Bowman county produced 67,500 bushels in 1997. This figure rose to 350,000 bushels in 2001. However, on the market expansion side the figures are not as favorable. Currently, ND exports 70% of the corn it raises. Much of that corn is being fed to cattle that we're exporting as well which is another issue that the Council is addressing. The point is that the state is losing the value added potential of the corn it is producing. SD has faced similar circumstances. However, they have developed an ethanol industry that uses 30% of its crop and are working on developing the livestock industry to add $600 million to the state's economy through feeding SD corn to SD cattle.

We've done our own studies to assess the economic impact of market expansion. A study done by NDSU Agriculture Economics showed that a 30 million gallon ethanol plant in North Dakota would add 415 new jobs and $14 million in personal income per year. In addition the plant would add $664,000 to the state's treasury per year and $44.5 million in additional gross business volume to other sectors in the state's economy.

The Council has watched the ethanol industry grow and mature over the years. We see plants springing up all around us. We do not see this as an industry that is facing issues of over-production. It appears to us that ethanol is a growth industry. The recent banning of MTBE in California and the strong support for a renewable fuel standard in the US both point toward a near future market demand of 5 billion gallons of ethanol per year. Currently, the US produces 2.7 billion gallons of ethanol. The US fuel supply is only 1% renewable by volume, most of which is ethanol. Every major auto maker in the world warranties the use of 10% ethanol in its vehicles. It's easy to see that if every vehicle ran on at least 10% ethanol that the US could use 10 times the amount of ethanol that it currently uses. My point is that we see the market growing and we see states around us responding to this growth opportunity. Someone is going to fill this demand for ethanol and it might as well be plants in North Dakota.

This brings me to my last point as to what a new plant in North Dakota needs to be competitive in the market. The chart attached to my testimony shows the production incentives furnished by other states to their ethanol plants. The purpose of these incentives is to help plants ride out the highs and lows in the markets and allow the plant to put their resources into capitalization with the understanding that eventually the plants would be self-sustaining. Almost all states put a time limit on the production incentive. Plants with production incentives that are competitive with those of other plants will be able survive those tough market times when corn is high and/or ethanol is low. Production incentives also influence how attractive a plant is as an investment. Where would you rather put your money? In a plant with no producer incentive, a fixed $1 million producer incentive or a counter cyclical $3 million producer incentive?

The ND Corn Utilization Council wants new plants in North Dakota to be successful over the long haul. Therefore, we encourage you to offer a producer incentive that is competitive with those of other states. We need to expand ND's ethanol production in order to capture the value added potential of corn in our state. If we don't build the ethanol plants to fill the upcoming market needs, someone else will. Someone else will capture the value added potential of the raw materials that we work so hard to produce.

Thank you.

TESTIMONY
To the
SENATE FINANCE AND TAXATION COMMITTEE
Of the
NORTH DAKOTA LEGISLATURE

RE: SENATE BILL 2222

By MIKE CLEMENS
President: North Dakota Corn Growers Association

January 28, 2003

Chairman Urlacher and Members of the Committee:

Thank you for this opportunity to submit testimony on Senate Bill 2222. I urge your DO PASS vote on this bill that provides for a production incentive for new ethanol plants in North Dakota. As President of the North Dakota Corn Growers I am here to stress the importance to the producer of production facilities such as ethanol plants.

Ethanol plants add jobs to the state and add in a positive way to every economic indicator. Those are all good. However, from the producer's perspective there is another economic appeal. An ethanol plant allows a producer to retain an interest in the value added potential of his crop. If an ethanol plant is built in my area I will benefit from the increase in the price of corn of about $.20 per bushel. 20 cents on 5000 bushels of corn is $1,000.00. That's nice. But what I'm really interested in is the fact that my $2.00/bushel corn can make 2.85 gallons of ethanol that would sell for about $1.35 a gallon plus 18 pounds of the animal feed, DDGS that would sell for another $.75. My $2.00 corn has turned into about $5.00 of product. If I just sell that corn to the elevator or to the ethanol plant that someone else owns, I can only hope to make that extra $.20/bushel. I know that if I invest in the ethanol plant I am taking a risk. But, based on what I see around the country with the growth of ethanol plants I think it's a risk balanced by great potential benefit.

Nearly one million farmers in the US are owner-investors in ethanol production facilities. Farmer-owners in ethanol production benefit twofold: they have a dedicated value-added market for their crop and they have an opportunity to participate in profit sharing dividends. Since 1990, farmer-owned facilities are responsible for 50% of new production capacity. Today, farmer-owned ethanol plants make up more than a third of all production and can produce nearly one billion gallons of ethanol. More than 75% of plants currently under construction are farmer-owned. As of the end of 2002, half of all ethanol production facilities are farmer-owned.

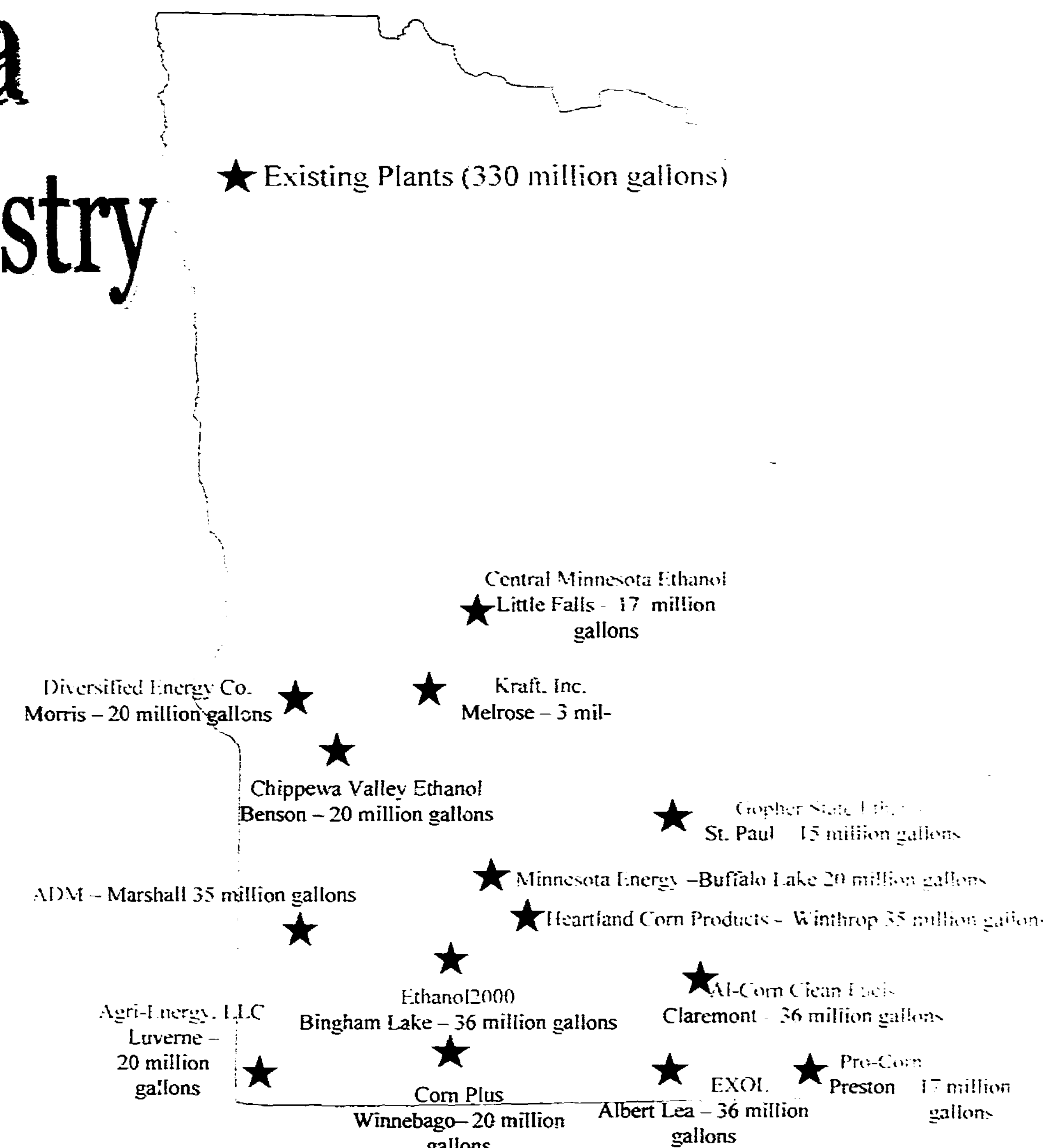
I'm invested in a producer owned ethanol plant in South Dakota. This plant came on line in July 2002 and reached its 40 mgy capacity within 10 days of operation. It is now running at 110% of design capacity. These plants are good investments. Part of the investment appeal of these plants is South Dakota's $1 million/year producer incentive.

I'm also here to speak to the benefits of an ethanol plant to livestock producers. Some of our corn grower members are also livestock producers. There was a time when livestock producers saw ethanol plants as driving up the price of corn. This has changed as livestock producers have experienced the positive benefits of feeding the co-products of ethanol production. These co-products consist of the protein, fat, vitamins and minerals that are remaining after the starch portion of the kernel has been turned into ethanol. This high energy, high nutrient feed is commonly referred to DDGS or dried distillers grains with solubles. Other co-products are distillers wet grain and condensed distillers solubles. Livestock producers report better gains due to the improved palatability and acceptability of rations mixed with co-products. At one point there was concern that there would be an over-supply of co-products. A 30 million gallon ethanol plant would produce enough co-product to supply rations for 95,000 head for a year. The good news is that advanced fermentation technology and improved quality control is now producing a higher quality distillers grains. Industry reports indicate that distillers grains is the fastest growing livestock feed in the nation today, with expanding beef and dairy applications and increasing markets in the swine and poultry industries. Interestingly, ND producers such as Bill Price of Missouri River Feeders and others who feed the co-products get their shipments from South Dakota plants. The North Dakota Corn Utilization Council funded a "DDGS for Drought" program in December targeting 40 livestock producers in the area between Hwy 281, the Missouri River, I-94 and the SD border. These 40 producers each received 5 tons of DDGS. The purpose was to introduce the feed to them and to help extend their feed supply. The director heading up the project, Bart Schott from Kulm, found that all of the DDGS from the Aberdeen, SD plant were bought up through the year. The closest plant to get the feed was Rosholt, SD. Almost all of the producers said they would continue to feed the DDGS. This shows that livestock feed co-products from an ethanol plant in North Dakota would readily find an in-state market at a competitive cost to shell corn.

North Dakota needs to grow value added opportunities for its ag producers. Growing the ethanol industry benefits not only ND corn growers, livestock producers and any interested investors, it also benefits the entire state with added jobs and economic growth. We need to move from watching what's happening in other states and make something happen in North Dakota.

Thank You.

Minnesota Ethanol Industry

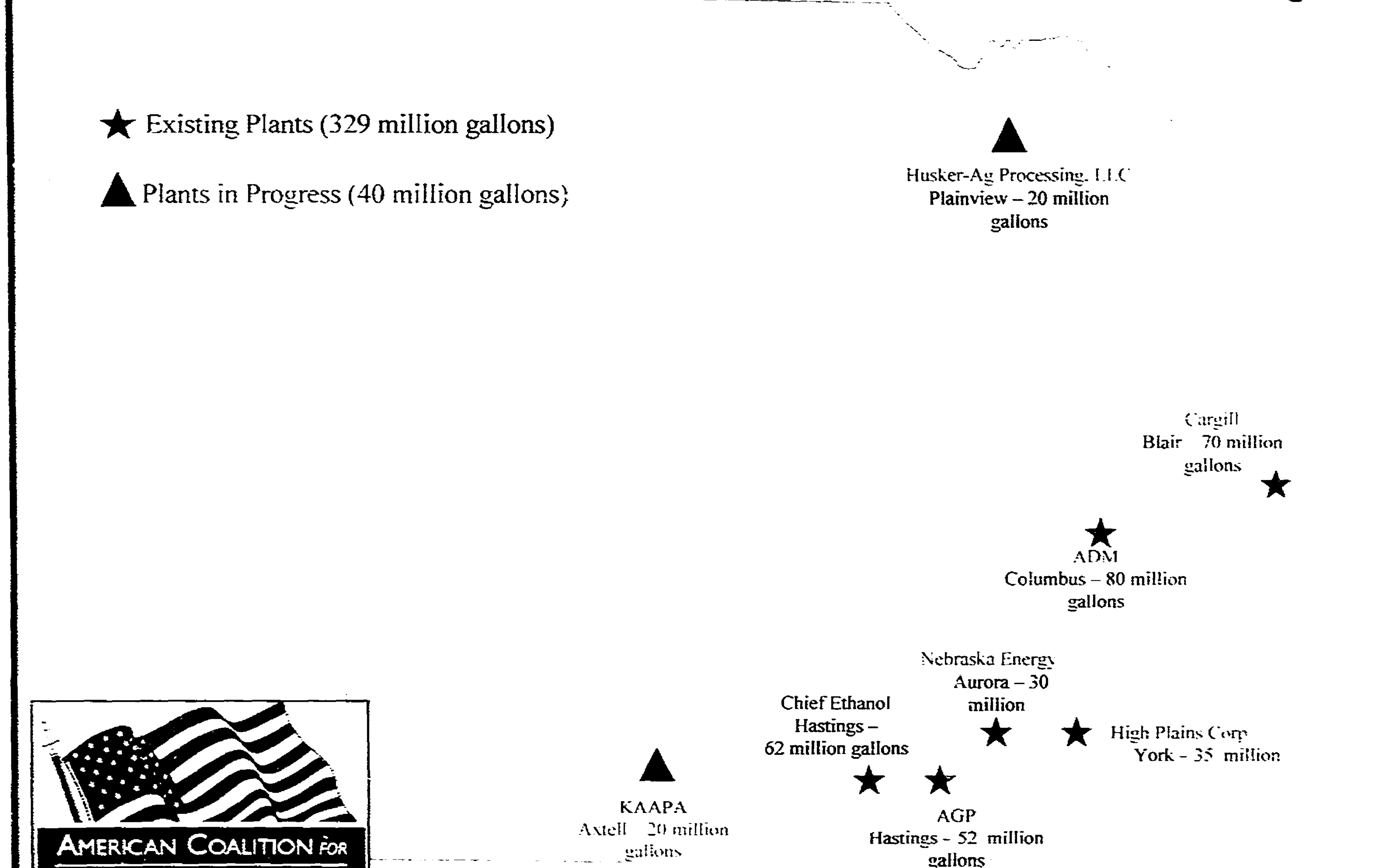


AMERICAN COALITION FOR ETHANOL

2500 S. Minnesota Ave. # 200
PO Box 85102
Sioux Falls, SD 57118

Phone: (605) 334-3381 • Fax: (605) 334-3389
Website: www.ethanol.org

Nebraska Ethanol Industry



AMERICAN COALITION FOR ETHANOL

2500 S. Minnesota Ave., #200
PO Box 85102
Sioux Falls, SD 57118

Phone: (605) 334-3381 • Fax: (605) 334-3389 • Website

South Dakota Ethanol Industry

★ Existing Plants (170 million gallons)

▲ Plants in Progress (185 million gallons)

Tri-State Ethanol Company ★
Rosholt – 14 million gallons

Heartland Grain Fuels
Aberdeen – 8 million ★
gallons

▲
Groton – 45 million
gallons

★
Northern Lights Ethanol, LLC
Big Stone City – 40 million gallons

Glacial Lakes Energy, LLC ★
Watertown – 40 million
gallons

★
Heartland Grain Fuels
Huron – 15 million gallons

▲
Aurora – 100 Million gallons

★
Dakota Ethanol LLC
Wentworth – 45 million gallons

Broin Enterprises
Scotland – 8 million
gallons ★

▲
Great Plains Ethanol, LLC
Chancellor – 40 million
gallons

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ETHANOL

2500 S. Minnesota Ave., #200
PO Box 85102
Sioux Falls, SD 57118

Phone: (605) 334-3381 • Fax: (605) 334-3389 • Website: www.ethanol.org

North Dakota Ethanol Industry

★ Existing Plants (39 million gallons)

☆ [illegible]

Archer Daniels Midland
Walhalla – 28 million
gallons

Alchem
Grafton – 11 million
gallons

30 million
gallons

AMERICAN COALITION FOR
ETHANOL

2500 S. Minnesota Ave. #200
PO Box 85102
Sioux Falls, SD 57118

Phone: (605) 334-3381 • Fax: (605) 334-3389 • Website: [illegible]

Senate Finance and Taxation Committee
SB 2222 – Ethanol Production Subsidies
January 28, 2003

Mr. Chairman, and members of the Committee, my name is Nick Sinner and I currently am serving as the Executive Administrator of the North Dakota Barley Council. On behalf of the Barley Council I would like to speak in support of Senate Bill 2222.

The Barley Council has been a long time member of the American Coalition for Ethanol (ACE) and we support its efforts to increase the amount of ethanol produced here in the United States.

Ethanol is good for the US and North Dakota. Here are a few of the reasons why this bill:

- Ethanol production reduces our dependence on foreign oil. By producing a 10% ethanol blend for our cars we can significantly reduce the increase in foreign oil imports.
- Ethanol is good for the environment. When used as an oxygenate, we reduce the pollution from car exhaust going into the atmosphere. And we don't pollute the ground water as well.
- When we produce ethanol here in the state, we are adding value to a home grown product.
- This is true economic development. North Dakota is searching for high paying jobs in state that offer opportunities for people to stay here. An ethanol plant creates these opportunities. The money from these jobs causes economic activity in our small towns and everyone in the area of the plant benefits.

- The support for ethanol contained in this bill will keep new plants competitive with our neighbor states. It is extremely important that we maintain a level playing field so we aren't at a disadvantage in the market place.

The Barley Council feels it is important to support the ethanol industry here in ND. Although not currently being used to make ethanol, barley was at one time a feed source for ethanol production at one of the current plants in the state. As technology improves in the coming years, it may be possible to economically use other biomass sources for the production of ethanol. One of those could be barley once again.

We support SB 2222. We think it will create great opportunities for our producers here in ND.

Exhibit 3

TESTIMONY
To the
SENATE APPROPRIATIONS COMMITTEE
Of the
NORTH DAKOTA LEGISLATURE

RE: SENATE BILl 2222

By Mike Clemens
President, NORTH DAKOTA CORN GROWERS ASSOCIATION

FEBRUARY 14, 2003

Chairman Holmberg and Members of the Committee:

Thank you for this opportunity to submit testimony on Senate Bill 2222. I am speaking in favor of this bill that provides for a production incentive for new ethanol plants in North Dakota. As President of the North Dakota Corn Growers I am also here to stress the importance to the producer of production facilities such as ethanol plants.

Ethanol plants add jobs to the state and contribute to every economic indicator. However, from the producer's perspective there is another economic appeal. An ethanol plant allows a producer to retain an interest in the value added potential of his crop. If an ethanol plant is built in my area I will benefit from the increase in the price of corn of about $.20 per bush. Twenty cents on 5000 bushels of corn is $1000.00. But what I'm really interested in is the fact that my $2.00/bushel corn can make 2.85 gallons of ethanol that will sell for about $1.35 gallon plus 18 pounds of animal feed, DDGS that will sell for another 75 cents. My $2.00 clorn has turned into products valued at $5.00. If you look at this on a per acre basis this is worth about $466.00. If I just sell my corn to the elevator or to the ethanol plant that someone else owns, I can only hope to make that extra 20 cents per bushel. I know that if I invest in the ethanol plant I am taking a risk. But, based on what I see around the country with the growth of ethanol plants I think it's a risk that is balanced by a potential benefit to the producer investor.

Nearly one million farmers in the US are owner-investors in ethanol production facilities. Farmer-owners in ethanol production benefit twofold: They have a dedicated value-added market for their crop, and they have an opportunity to participate in profit sharing dividends. Since 1990, farmer owned ethanol plants make up more than a third of all production and can produce nearly one billion gallons of ethanol. More than 75% of plants currently under construction are farmer owned. As of the end of 2002, half of all ethanol production facilities are farmer owned.

I'm invested in a producer owned ethanol plant in South Dakota. This plant came on line in July 2002 and reached its 40 mgy capacity within 10 days of operation. It is now running at 110% of design capacity. These plants are good investments. Part of the investment appeal of these plants is South Dakota's $1 million/year producer incentive which is a fixed payment. The bottom line is that in North Dakota producer's money and corn is leaving the state to investments elsewhere.

North Dakota needs to grow value added opportunities for its ag producers. Growing the ethanol industry benefits not only ND corn growers, livestock producers and any interested investors, it also benefits the entire state with added jobs and economic growth. We need to move from watching what's happening in other states to making something happen in North Dakota.

Thank you for you attention to my testimony. I welcome any questions.

Comparison of Producer Incentives for Ethanol Production

State	Incentive	Limits
Minnesota	$.20/gal	$3 M/year on 15 M gal year 10 year limit
South Dakota	$.18/gal	$1 M/year/10 year limit
Nebraska	$.18/gal $.075/gal	15.8 M gal/year 4-8 year limit Up to 10 M gal/3 yr limit Sunset 2012
Kansas	$.05/gal existing producers $.075/gal new production	Capped at 15 M gal/yr and $3.5 M; Sunset July 2011
Montana	$.30/gal	$3 M cap - Sunset 2005
North Dakota: current	1.25 M/year between 2 existing plants	
North Dakota: proposed for new construction	Counter-cyclical, market driven payment based on the price of corn and the price of ethanol	$3 M/year cap; 10 year limit.

2002-2003

Exhibit 2

TESTIMONY
To the
SENATE APPROPRIATIONS COMMITTEE
Of the
NORTH DAKOTA LEGISLATURE

RE: SENATE BILL 2222

By DUANE DOWS
CHAIRMAN, NORTH DAKOTA CORN UTILIZATION COUNCIL

FEBRUARY 14, 2003

Good morning Chairman Holmberg and Members of the Committee:

My name is Duane Dows and I farm in the Page area. I also currently serve as chairman of the North Dakota Corn Utilization Council. The mission of the Corn Council is market maintenance and expansion. We believe SB 2222 is an excellent bill to help accomplish that mission.

If I may I would like to use this flip chart to help illustrate some points:
North Dakota has been moving forward faster with growing corn than it has with growing markets for that corn. Since 1997 corn production has increased by 45%. The 2002 corn crop was a record 111 million bushels. Seed sales indicate another 10% increase this next year. This growth in corn production is state wide. For example, Bowman county produced 67,500 bushels in 1997. This figure rose to 350,000 bushels in 2001. However, the market expansion figures are not as favorable. Currently, ND exports 70% of the corn it raises. Much of that corn is being fed to cattle that we are exporting as well. The point is that the state is losing the value added potential of the corn it is producing. SB 2222 can make a difference by helping make new, in-state markets available through expansion of the ethanol industry.

I'd like to begin by looking at the corn market and its value-added potential in the ethanol industry. Let's start by looking at one acre of ND corn which, just to keep figures round, will produce about 100 bushels of corn. This corn will sell for about $2.00 a bushel. Let's assume that all of these bushels go to the elevator. The farmer receives $200 per acre as their value added compensation. The elevator's value added intake in this transaction is another 10 cents per bushel or $10/acre. The one acre's value added contribution has now reached $210.00. From there the corn leaves the state by truck or rail.

Let's look at another scenario where we send those 100 bushels to the ethanol plant. The farmer will receive another 10 cents a bushel because the increased demand for corn in the area will raise the price about that much. The value added to the farmer is $210.00 per acre. The ethanol plant will turn those bushel into $337.50 worth of ethanol and the co-products or animal feed will be worth $72.25. The ethanol and co-products leave the state or are used here depending on local demand. Total value from that one acre is now $619.75. Over $400.00 an acre more in economic value added impact was generated on that single acre.

It takes 110,000 acres to support a 30 million gallon ethanol plant. At $400.00 an acre more, that equals $44 million additional yearly economic activity. A recent economic impact study done by NDSU found the same answer along with identifying 415 new jobs creation, $14 million more personal income per year and a yearly return to the state of $664,000.

SB 2222 needs to be viewed as an investment by the state that will provide an excellent return. The counter cyclical support approach has the potential to provide the state a return at no cost. It is important that this plant continues to operate year after year in order to capture this potential.

It is important that SB 2222 be adequately funded. Currently, SB 2222 provides for a maximum of $3 million/year to be paid out to an ethanol plant. Plants with production incentives that are competitive with those of other plants will be able survive those tough market times when corn is high and/or ethanol is low. Ethanol plants are very sensitive to market price.

For example, if corn goes up an average of 10 cents a bushel over the year, that will cost a 30 million gallon plant an addition $1 million in input costs. This past growing season has seen a 40-50 cent move in corn prices which has the potential to vary the cost of corn to the plant by $4-5 million per year.

On the ethanol price side, if the price of ethanol goes down an average of 10 cents a gallon over the year, this translates into a $3 million dollar loss. For example, the last couple of years ethanol has ranged any where from 90 cents per gallon to $1.60, a 70 cent difference. This has the potential to change the income to the plant by $21 million. The price of corn and ethanol are market factors that are within limited control of management.

SB 2222 is a producer incentive that is market driven. A plant may not need any of the incentive some years. However, when market forces work against the plant, the plant may need the full $3 million. This bill contains a 10 year sunset for support designed to support the plant through capitalization after which no support should be needed.

The Corn Council supports this bill because of its potential to create markets and add a tremendous amount of value to a North Dakota product. If this bill is fully funded it will help create a tremendous economic impact for our state and a solid return of the state's investment. To the Corn Utilization Council's knowledge, these economic benefit figures represent the best agricultural economic stimulus program that is being proposed this legislative session for our state.

A note to the Chairman: I carry with me today letters of support from the ND Jaycees, Valley City Chamber of Commerce and Farm Credit Services.

I would be happy to answer any questions.

19678

Prepared by the North Dakota Legislative Council staff for House Appropriations - Government Operations

March 2001

ETHANOL PRODUCTION INCENTIVE PROGRAM - HISTORY

APPROPRIATIONS

The ethanol production incentive program began in North Dakota in 1989. Prior to 1989, the state allowed a four-cent per gallon tax reduction for ethanol-blended gasoline sold by retailers. The schedule below shows the appropriations made by the Legislative Assembly for ethanol production incentives since its inception in 1989:

	Appropriation From Highway Tax Distribution Fund
1989-91	$3,750,000[1]
1991-93	3,650,000
1993-95	3,650,000
1995-97	3,000,000
1997-99	1,750,000[2]
1999-2001	1,800,000[3]
Total through June 30, 2001	$17,600,000
2001-03 executive budget	2,500,000
Total through June 30, 2003	$20,100,000

[1] This amount was reduced by $342,000 due to budget reductions made as a result of the loss of revenues resulting from the defeat of the gas tax measure on the December 5, 1989, special election ballot.

[2] Includes $250,000 of unspent 1995-97 ethanol production incentive funding resulting from the ADM plant in Walhalla not receiving incentive payments during the second year of the biennium because it was not operating.

[3] Includes a $300,000 appropriation contingent upon a new plant beginning operations after July 1, 1999.

EXPENDITURES

The following schedule shows the actual ethanol production incentive payments made to the ethanol plants in North Dakota since the inception of the program in 1989:

Fiscal Year	Alchem, Ltd. Plant in Grafton	ADM Plant in Walhalla	Total
1989	$1,103,026	$540,555	$1,643,581
1990	196,663	506,972	703,635
1991	875,000	950,000	1,825,000
1992	865,466	939,577	1,805,043
1993	950,000	875,000	1,825,000
1994	875,000	950,000	1,825,000
1995	875,000	950,000	1,825,000
1996	1,000,000	500,000	1,500,000
1997	1,000,000		1,000,000
1998	870,666		870,686
1999	875,000		875,000
2000	750,000		750,000
2001	750,000		750,000
Total	$10,985,841	$6,212,104	$17,197,945

1.5
12.4 7.2

REVENUES

Since 1991, the Legislative Assembly has provided for additional revenues to the highway tax distribution fund to provide the funding necessary for the ethanol production incentive program. The 1991 Legislative Assembly provided for the additional revenues by extending, by one year, the vehicle age categories of the motor vehicle registration fee rate schedules for the 1991-93 and 1993-95 bienniums and by withholding an additional two cents from the agricultural fuel tax refund for the 1991-93 and 1993-95 bienniums. The 1995 Legislative Assembly extended these additional revenue provisions through the 1997-99 biennium. The 1997 Legislative Assembly, in Senate Bill No. 2019, reduced the agricultural fuel tax refund reduction by one cent, from two cents to one cent, because only the Alchem, Ltd. plant in Grafton was eligible for production incentives during the 1997-99 biennium. (The ADM plant in Walhalla had discontinued operations in September 1995.)

The 1999 Legislative Assembly continued the agricultural fuel tax reduction of one cent relating to the ethanol production incentive program through December 31, 2001, and removed the sunset clause of June 30, 1999, for extending, by one year, the vehicle age categories of the motor vehicle registration fee rate schedules. The Department of Transportation, in February 1999, estimated revenues from these two sources would generate $2,575,000 per biennium.

OTHER LEGISLATIVE ACTION

The 1995 Legislative Assembly, in House Bill No. 1134, limited the length of time an ethanol plant may receive incentives. The bill provided that a plant operating before July 1, 1995, could not receive incentives from the state for more than five years of operation after June 30, 1995. A plant that begins operations after June 30, 1995, could not receive incentive payments from the state for more than 10 years of operation, and after December 31, 2007, the state could not provide production incentives to any ethanol plant.

The bill also provided that a plant operating before July 1, 1995, which produced fewer than 15 million gallons of ethanol in the previous fiscal year may receive up to $1,000,000 in incentives from the state for production in each fiscal year. A plant in operation before July 1, 1995, which produced 15 million gallons or more of ethanol in the previous fiscal year and any plant that begins operations after June 30, 1995, would be eligible to receive an equal share of up to

$500,000 of incentives from the state for production in each fiscal year.

The 1997 Legislative Assembly provided that only the Alchem, Ltd. plant in Grafton was eligible for the production incentives of up to $875,000 per year for the 1997-99 biennium.

The 1999 Legislative Assembly extended, in House Bill No. 1019, the number of years ethanol plants may receive production incentives since June 30, 1995, from 5 to 12 years for plants operating before July 1, 1995, and from 10 to 12 years for plants beginning operation after June 30, 1995. After December 31, 2009, the state may not provide production incentives to any ethanol plant.

The 1999 Legislative Assembly provided that an ethanol plant that was in operation before July 1, 1995, and which has a production capacity of fewer than 15 million gallons of ethanol may receive incentives of up to $750,000 per year. An ethanol plant that was in operation before July 1, 1995, and which has a production capacity of 15 million gallons or more is not eligible to receive production incentives.

PLANT OPERATIONS

Since the ethanol production incentive program began in 1989, the Alchem, Ltd. plant in Grafton has been operating continually. The ADM plant in Walhalla was in operation from 1989 until it discontinued operating in September 1995. The plant reopened in July 1998 but again discontinued operations in May 1999. It reopened again in September 2000.

2001-03 RECOMMENDATION

The 2001-03 executive budget recommends, in Senate Bill No. 2019, appropriating $2.5 million from the highway tax distribution fund for ethanol incentives. Of this amount, an ethanol plant that was operating before July 1, 1995, and has a production capacity of fewer than 15 million gallons of ethanol may receive incentives of up to $850,000 per year and a plant that was in operation before July 1, 1995, and produced 15 million or more gallons in the previous fiscal year and any ethanol plant that begins operations after July 1, 1995, may share equally in up to $400,000 per year in production incentives. The recommendation also extends the number of years ethanol plants may receive production incentives from 12 to 14 years since July 1, 1995, for plants beginning operations after July 1, 1995, and from 12 to 14 years for plants beginning operations after July 1, 1995.

SURROUNDING STATES

South Dakota

South Dakota provides ethanol incentive payments of 20 cents per gallon of production with a $1 million annual limit per plant. The cumulative amount of incentive payments a plant may receive is $10 million.

South Dakota taxes gasohol at a 20 cents per gallon rate, two cents per gallon less than its gasoline tax rate of 22 cents per gallon.

Currently, three plants are operating in South Dakota, and two new plants are under construction. In addition, three new plants are in the development process.

Montana

Montana provides ethanol incentive payments of 30 cents per gallon of production with a $3 million annual limit per plant.

Currently, no plants are operating in Montana.

Minnesota

Minnesota provides ethanol incentive payments of 20 cents per gallon of production with a $3 million annual limit per plant. A plant is eligible for the incentive payment for 10 years.

Minnesota requires all gas sold in the state to contain at least 2.7 percent oxygen which creates demand for ethanol in Minnesota.

Currently, 15 plants are operating in Minnesota.

Roger Johnson
Agriculture Commissioner
www.agdepartment.com

Phone (701) 328-2231
Toll Free (800) 242-7535
Fax (701) 328-4567

Department of
Agriculture

600 E Boulevard Ave., Dept. 602
Bismarck, ND 58505-0020

Testimony of Roger Johnson
Agriculture Commissioner
Senate Bill 2222
House Agriculture Committee
Peace Garden Room
March 13, 2003

Chairman Nicholas and members of the House Agriculture Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of SB 2222, which would provide production incentives for ethanol production plants constructed in the state after July 31, 2003 and continue incentives for ethanol production plants that were constructed in the state prior to 1995.

SB 2222 has been twice amended. The major changes from the original legislation to the version before this committee can be found on:

Page 3, line 9 - The Ethanol Production Incentive Fund will now receive 35% of all registration fees collected on farm vehicles, rather than the initially proposed 50%.

Page 3, lines 26-31, Page 4, lines 1-3 – Provides incentive payments for ethanol plants that were in operation prior to July 1, 1995, and which have a production capacity less than 15 million gallons to receive up to $500,000 of incentives per fiscal year. Plants which have a production capacity of more than 15 million gallons will be eligible for incentives up to $250,000 per fiscal year.

The main part of the legislation provides a "counter-cyclical" mechanism for payments, providing payments to production facilities when corn prices are higher than $1.80 per bushel and eliminating the payments when corn prices fall below $1.80 per bushel. An additional "counter-cyclical" mechanism in this bill also provides for payments to be made to production facilities when prices for ethanol fall below $1.30 per gallon.

High corn prices and low ethanol prices both diminish the profitability of ethanol production plants. These state incentives will provide some stability and predictability to the ethanol industry as new production facilities come on-line. The North Dakota Corn Growers are to be commended for recommending the "counter-cyclical" mechanisms as part of production incentives. This legislation is good public policy – it provides an appropriate level of support when the industry needs it and saves tax dollars when economics are more favorable.

Ethanol is a Growing Industry

North Dakota's two existing ethanol plants have a combined annual production capacity of approximately 34 million gallons per year and plans are in the works to construct a third plant in east-central North Dakota. Other groups are also considering plans for ethanol plants in central, northwestern, and southwestern North Dakota.

The North Dakota Corn Growers Association estimates that 26% of the fuel sold in North Dakota is an ethanol blend – that compares with 65% in South Dakota and more than 90% in Minnesota. South Dakota provides an at-the-pump 2¢ tax incentive, which can sometimes make ethanol-blended gasoline as much as 6¢ cheaper per gallon than regular unleaded gasoline.

Ethanol is a Huge Success in Minnesota

These statistics beg the question – why is ethanol consumption at 90% in Minnesota? In 1980, Minnesota passed legislation that defined "agricultural alcohol" and created a 4¢ per gallon tax credit on blended gasoline as an incentive for retailers to blend ethanol in gasoline. Five years later, after creating a significant ethanol market, the tax credit was reduced to 2¢ per gallon. A 20¢ per gallon ethanol production payment was created in 1986 to provide incentives for constructing new ethanol plants in the state.

Minnesota also took steps during this time to provide public education across the state and to promote the growth of the ethanol industry. The 1990 Federal Clean Air Act Amendments provided the next impetus for additional legislation relating to ethanol. The Twin Cities Area was found to be out of compliance with EPA carbon monoxide standards and as a result was required to begin using oxy-fuel beginning in the winter of 1992.

In 1991, the Minnesota State Legislature passed legislation requiring a year-round 2.7% minimum oxygen content for gasoline sold in the Twin Cities by 1995, with the entire state meeting the requirement by 1997.

Today, ethanol replaces almost 10% (240,000,000 gallons) of the gasoline sold in Minnesota. Further, two new ethanol plants came on line in 1995 and since that time ten additional facilities have either been built or expanded. Twelve of the fourteen existing ethanol plants are designed in a cooperative fashion and are owned by over 8,000 farmers.

North Dakota Can and Should Do More to Promote Ethanol

Minnesota's ethanol success story should serve as a lesson to us in North Dakota. The 58th legislative assembly also earlier considered legislation that would have provided for a requirement that all 87-octane gasoline contain 10% ethanol. This assembly killed both of those pieces of legislation – SB 2027 & HB 1493. While I support this legislation and the incentives it provides, I would argue that we can and should provide both incentives and an ethanol requirement in gasoline.

Elected officials on both sides of the aisle continually pledge their support for and speak to the benefits of value-added agriculture. I believe that it is time to put action behind the words. If we are truly looking to add value to agricultural products in this state and to encourage new markets and new products, we in government have to be willing to play an appropriate role to foster that process. I believe that increased production and use of ethanol in North Dakota and throughout the United States will provide additional value-added opportunities for our farmers and increase local demand for corn. We need to provide incentives to produce and incentives to consume ethanol.

According to the "Ethanol and the Local Community Study" conducted by AUS Consultants/SJH & Company, "...a 40 MGY ethanol plant will generate...additional revenue for local grain farmers by increasing demand, which in the case of corn, in most circumstances results in an increase to the average local basis of an estimated 5 to 10 cents per bushel."

And according to the Minnesota Department of Agriculture, processing corn products instead of exporting raw corn doubles the value of each bushel. In addition, ethanol plants not only produce fuel ethanol, they also produce a large quantity of co-products which can benefit other sectors of our economy. Livestock can be fed the high-protein feed that is a major co-product in ethanol production. Other co-products include: carbon dioxide, starch, sweeteners and industrial ethanol.

Ethanol Can Help Decrease Dependence on Foreign Oil

I also believe that we must do more as a state and as a country to decrease our dependence on foreign oil today. The United States currently imports 57% of our oil supply versus approximately 45% during the energy crisis of the 1970's (Source: Energy Information

Administration/Annual Energy Review). The following table shows the leading exporters of oil to the United States:

Country	Net imports (Thousand Barrels per Day)
Canada	1,828
Saudi Arabia	1,662
Venezuela	1,553
Mexico	1,440
Nigeria	885
Iraq	795

Source: Energy Information Administration/Petroleum Supply Annual 2001, Volume 1, Table 21

The stability of these imports seems questionable, especially during this time of crisis in the Middle East and other major oil suppliers such as Venezuela, where there is continuing civil unrest and the threat of strikes in their oil industry.

We can and must do more to promote the production and usage of renewable fuels such as ethanol and biodiesel. The US marketplace is too often overlooked by agriculture as we focus on acquiring new international markets. Biodiesel and ethanol are great examples of new demand as opposed to displaced demand often resulting from new international markets. Both are important, but new demand results in a bigger pie, not just a bigger piece of the old pie.

Conclusion

Ethanol is a renewable, domestic source of fuel. We should be producing and using more of it to lessen our dependence on foreign oil. Ethanol production provides a value-added opportunity for our farmers and an environmentally-friendly choice to consumers at the fuel pump. Chairman Nicholas and committee members, I urge a do pass on SB 2222. I would be happy to answer any questions you may have.

NORTH DAKOTA CORN PRODUCTION

- Since 1997, production up 45%
- 2002 Record crop of 111 million bushels
- Significant increase expected in 2003
- Growth in corn production is statewide

  -- Example:
  Bowman County: 1997- 67,500 bu
  2001- 350,000 bu

- Markets within our state for this expanding production are not keeping up.

- Currently 70% of the corn produced in North Dakota is exported out of the state.

- SB2222 can make a difference by creating market through expansion of the Ethanol Industry

ONE ACRE OF CORN

Value-Added 100 Bushels	x \$2.00 = \$200	Value-Added Elevator \$.10 = \$10.00	Truck & Rail Out of State

\$210.00

ONE ACRE OF CORN

100 Bushels→	x $2 =$200→	Elevators→ $.10 = $10	Rail & Truck
↓ x $2.10 = $210.00			
Ethanol Plant →	Ethanol $337.50 → DDG's $72.25	Local→ Demand	Rail & Truck

ECONOMIC IMPACT

- 110,000 acres of corn to support a 30 million gallon ethanol plant
- At $400/acre, added value = $44 million more yearly economic activity
- NDSU Economic Impact Study
    - Found same answer
    - 415 new jobs created
    - $14 million more personal income per year
    - yearly return to state of at least $664,000
- SB2222 needs to be viewed as an investment by the state that will provide an excellent return

SB2222 needs to be adequately funded

- A 30 million gallon plant used 11 million bushels of corn

- Corn - 11 million bushels

    - Every $.10 move potentially cost $1.1 million a year
    - Past growing season prices varied $.40-$.50
    - Potentially vary corn input cost $4-5 million per year

- Ethanol – 30 million gallons

    - Every $.10 move potential income swing of $3 million per year

    - In past two years, ethanol prices have varied from $.90 to $1.60 per gallon - $.70 swing

    - Potential to very plant income by $21 million per year

- Plant management has limited control over these market factors

- SB2222 provides support when needed, no cost to state when not Needed

- 10 year Sunset – through Capitalization Period

North Dakota Ag Coalition

Chairman Holmberg, members of the Senate Appropriations Committee, I am Paul Thomas, administrator of the North Dakota Ag Coalition. I am here today to testify in support of SB 2222 on behalf of the members of the North Dakota Ag Coalition.

The North Dakota Ag Coalition represents thirty-nine agriculture organizations throughout the state of North Dakota. For us to take a position on an issue, 75% of our members have to vote in favor of it. The Coalitions large membership base and super majority requirement for adopting policy, limits the Coalitions position to a minimum number of bills.

However, the bills the Coalition does take position on should be viewed as being of highest priority to North Dakota agriculture producers. Chairman Holmberg, SB 2222 is one of these bills. SB 2222 takes a fiscally responsible approach to economic development, for the good of all of North Dakota's economy, not just corn producers. In an economic feasibility study by AUS Consultants and SJH Company, they found the construction costs of a 40 million gallon per year (MGY) dry mill ethanol plant to cost \$60 million. Construction of a facility typically takes a year and the spending it pumps into the economy will generate a one-time boost of \$142 million.

The most significant value of building a new ethanol plant does not come from the construction though; it comes from its day-to-day operational spending for operations. A 40 MGY ethanol plant will spend more than \$56 million annually on goods and services. The operation of a 40 MGY ethanol plant will create forty-one permanent jobs directly in the plant and as many as 694 permanent new jobs throughout the entire economy. Using the average state and local tax rates in the 19 states where ethanol is produced, a 40 MGY ethanol plant will contribute at least \$1.2 million annually to the state and local tax revenue.

The fiscally responsible incentive North Dakota agriculture producers are requesting for the state of North Dakota is needed and warranted. This is a small investment in the future of North Dakota that will reap large rewards.

Chairman Holmberg and members of the committee I urge a do pass on Senate Bill 2222. I will be happy to try and answer any questions you have.

4007 State Street • Bismarck, North Dakota 58503 • Phone (701) 355-4330 • Fax (701) 223-4130

A nonpartisan group of organizations involved in all aspects of agriculture. Organized in April 1982, the Coalition has been successful in providing a unified "voice" on behalf of North Dakota agricultural interests.

TESTIMONY
To the
HOUSE AGRICULTURE COMMITTEE
Of the
NORTH DAKOTA LEGISLATURE

RE: SENATE BILL 2222

By DUANE DOWS
CHAIRMAN, NORTH DAKOTA CORN UTILIZATION COUNCIL

MARCH 13, 2003

Good morning Chairman Nicholas and Members of the Committee:

My name is Duane Dows and I farm in the Page area. I also currently serve as chairman of the North Dakota Corn Utilization Council. The mission of the Corn Council is market maintenance and expansion. We believe SB 2222 is an excellent bill to help accomplish that mission.

If I may I would like to use this flip chart to help illustrate some points:

North Dakota has been moving forward faster with growing corn than it has with growing markets for that corn. Since 1997 corn production has increased by 45%. The 2002 corn crop was a record 111 million bushels. Seed sales indicate another 10% increase this next year. This growth in corn production is state wide. For example, Bowman county produced 67,500 bushels in 1997. This figure rose to 350,000 bushels in 2001. However, the market expansion figures are not as favorable. Currently, ND exports 70% of the corn it raises. Much of that corn is being fed to cattle that we are exporting as well. The point is that the state is losing the value added potential of the corn it is producing. SB 2222 can make a difference by helping make new, in-state markets available through expansion of the ethanol industry.

I'd like to begin by looking at the corn market and its value-added potential in the ethanol industry. Let's start by looking at one acre of ND corn which, just to keep figures round, will produce about 100 bushels of corn. This corn will sell for about $2.00 a bushel. Let's assume that all of these bushels go to the elevator. The farmer receives $200 per acre as their value added compensation. The elevator's value added intake in this transaction is another 10 cents per bushel or $10/acre. The one acre's value added contribution has now reached $210.00. From there the corn leaves the state by truck or rail.

Let's look at another scenario where we send those 100 bushels to the ethanol plant. The farmer will receive another 10 cents a bushel because the increased demand for corn in the area will raise the price about that much. The value added to the farmer is $210.00 per acre. The ethanol plant will turn those bushels into $337.50 worth of ethanol and the co-products or animal feed will be worth $72.25. The ethanol and co-products leave the state or are used here depending on local demand. Total value from that one acre is now $619.75. Over $400.00 an acre more in economic value added impact was generated on that single acre.

It takes 110,000 acres to support a 30 million gallon ethanol plant. At $400.00 an acre more, that equals $44 million additional yearly economic activity. A recent economic impact study done by NDSU found the same answer along with identifying 415 new jobs creation, $14 million more personal income per year and a yearly generation of $44.5 million in gross business volume.

Ethanol plants add jobs to the state and contribute to every economic indicator. However, from the producer's perspective there is another economic appeal. An ethanol plant allows a producer to retain an interest in the value added potential of his crop. If an ethanol plant is built in a particular area the producers living within that area will benefit from the increase in the price of corn of about $.20 per bush. Twenty cents on 5000 bushels of corn is $1000.00 but what really interests producers is the fact that $2.00/bushel corn can make 2.85 gallons of ethanol that will sell for about $1.35 gallon plus 18 pounds of animal feed, DDGS that will sell for another 75 cents. That $2.00 corn has turned into products valued at $5.00. If you look at this on a per acre basis this is worth about $466.00. If producers just sell their corn to the elevator or to the ethanol plant that someone else owns, they can only hope to make that extra 20 cents per bushel. Investing in an ethanol plant is a risk, based on the growth of the ethanol industry around the country it's a risk that is balanced by a potential benefit to the producer investor.

Nearly one million farmers in the US are owner-investors in ethanol production facilities. Farmer-owners in ethanol production benefit twofold: They have a dedicated value-added market for their crop, and they have an opportunity to participate in profit sharing dividends. Since 1990, farmer owned ethanol plants make up more than a third of all production and can produce nearly one billion gallons of ethanol. More than 75% of plants currently under construction are farmer owned. As of the end of 2002, half of all ethanol production facilities are farmer owned.

SB 2222 needs to be viewed as an investment by the state that will provide an excellent return. The counter cyclical support approach has the potential to provide the state a return at no cost. It is important that this plant continues to operate year after year in order to capture this potential.

It is important that SB 2222 be adequately funded. Currently, SB 2222 provides for a maximum of $3 million/year to be paid out to an ethanol plant. Plants with production incentives that are competitive with those of other plants will be able survive those tough market times when corn is high and/or ethanol is low. Ethanol plants are very sensitive to market price.

For example, if corn goes up an average of 10 cents a bushel over the year, that will cost a 30 million gallon plant an addition $1 million in input costs. This past growing season has seen a 40-50 cent move in corn prices which has the potential to vary the cost of corn to the plant by $4-5 million per year.

On the ethanol price side, if the price of ethanol goes down an average of 10 cents a gallon over the year, this translates into a $3 million dollar loss. For example, the last couple of years ethanol has ranged any where from 90 cents per gallon to $1.60, a 70 cent difference. This has the potential to change the income to the plant by $21 million. The price of corn and ethanol are market factors that are within limited control of management.

SB 2222 is a producer incentive that is market driven. A plant may not need any of the incentive some years. However, when market forces work against the plant, the plant may need the full $3 million. This bill contains a 10 year sunset for support designed to support the plant through capitalization after which no support should be needed.

The Corn Council supports this bill because of its potential to create markets and add a tremendous amount of value to a North Dakota product. If this bill is fully funded it will help create a tremendous economic impact for our state and a solid return of the state's investment. To the Corn Utilization Council's knowledge, these economic benefit figures represent the best agricultural economic stimulus program that is being proposed this legislative session for our state.

A note to the Chairman: I carry with me today letters of support from the ND Jaycees, Valley City Chamber of Commerce and Farm Credit Services.

I would be happy to answer any questions.

Valley City Area Chamber of Commerce
205 NE 2nd Street • Box 724
Valley City, North Dakota 58072-0724
Office: 701-845-1891
FAX: 701-845-1892

February 12, 2003

Honorable Senator Ray Holmberg
Chairman, Senate Appropriations Committee
600 East Boulevard Avenue
Bismarck, ND 58505

Dear Senator Holmberg:

The purpose of this letter is to urge you to support Senate Bill 2222 for Ethanol Initiatives. As you may be aware, Valley City is one of the primary sites for the proposed Dakota Renewable Fuels Ethanol Plant.

The Valley City Area Chamber of Commerce believes this ethanol plant would have a substantial economic benefit to the Valley City/Barnes County area and to the entire state. The proposed ethanol plant would provide an opportunity for the state's farmers to add value to their corn production. The plant would provide an opportunity to enhance the state's livestock feeding industry, as one of the plant's by-products is Distilled Dry Grain, which is a very good cattle feed. Such a plant would enhance the support businesses of the plant. Businesses from truck tire suppliers to electrical contractors would see increased sales from such a plant.

However, without incentives in Senate Bill 2222, it is unlikely such a proposed plant would be feasible.

Our Chamber of Commerce Ag Committee has been busy educating area residents to the advantages of having such a plant located in our community. They already have sponsored a tour of an ethanol plant similar to the plant proposed by Dakota Renewable Fuels. The Ag Committee is also planning additional tours to continue the community education process.

Thank you for your consideration of this matter.

Sincerely,

Mark Oberlander

Mark Oberlander, President
Valley City Area Chamber of Commerce

www.ndjoycees.org

Jaycees

NORTH DAKOTA JUNIOR CHAMBER

Change Your World

Ray Holmberg(R) Chairman
Senate Appropriations Committee
ND State Legislature, 58th Assembly
ND State Capital Building
Bismarck, ND 58501

SUBJECT: Senate Bill #2222, Ethanol Incentives

Mr. Chairman and members of this committee; let me introduce myself as Raymond S. Morrell, 69th State President of the North Dakota Jaycees. I write this letter to ask that you give a *'do pass'* recommendation on Senate Bill #2222.

I request this so that the small communities in North Dakota may have the opportunity to host a facility that can bring in jobs and be prosperous. This is an opportunity for North Dakota to take advantage of cutting edge technology in simple manufacturing and the young people of North Dakota have career opportunities.

I had recently visited a new ethanol plant, Glacial Lakes Energy in Watertown, SD. What was visualized first hand by this adventure was the innovation and technology used in today's ethanol plant construction and application. It is with this same innovation and technology that makes a plant like this viable for North Dakota and its rural communities.

A few short weeks ago, In-Forum Communications presented a discussion panel and a series of newspaper articles with the emphasis on Saving North Dakota. The main topic in this panel was the need for opportunities. The proposed plant discussed by Dakota Renewable Fuels and other potentially new plants will deliver this.

This bill, #2222 is not only for the possibilities of the ethanol industry. This bill will help to establish new technology in manufacturing that will open the door for other venture capital and economic development. These will bring future technology, industry, and service; that will mean more jobs and a greater outlook for North Dakota.

The passage of this bill #2222 will not only allow for incentives, it would allow for the survivability of the rural community. It's these communities that can develop secondary businesses stemming from the demand that a new ethanol facility may bring. It's these communities that can then generate increased sales tax dollars not only for their community but for the state of North Dakota as well.

The passage of this bill #2222 will open the door to technology and its future application for the young people of North Dakota. This bill is the future for North Dakota.

On behalf of the ND Jaycees, I again wish to encourage the *'do pass'* recommendation for Senate Bill #2222. Thank you.

Sincerely,

Raymond S. Morrell
69th State President
ND Jaycees
1-877-588-2252 (BAJC)
ndjcpres@yahoo.com

Making a Difference in Jaycees

RIGHT NOW

Lance Gabe Exhibit 5

Average Annual Incentive If Formula Would Have Been Applied Over Previous [illegible]

$1,596,511.42 Assuming a 40,000,000 [illegible]

2002	**$2,195,397.26**	
Average Corn Price		$2.00
Average Ethanol Price		$1.12
2001	**$286,684.93**	
Average Corn Price		$1.69
Average Ethanol Price		$1.48
2000	**$357,589.04**	
Average Corn Price		$1.65
Average Ethanol Price		$1.35
1999	**$1,175,232.88**	
Average Corn Price		$1.68
Average Ethanol Price		$1.10
1998	**$2,564,164.38**	
Average Corn Price		$1.95
Average Ethanol Price		$1.05
1997	**$3,352,328.77**	**(bill limits the annual payment to $3 million)**
Average Corn Price		$2.35
Average Ethanol Price		$1.15

30 day month

$1.80 Corn Price
Ethanol
$1.30 Price

Ethanol Price Per Gallon

Corn Price per Bushel

	$1.60	$1.70	$1.80	$1.90	$2.00	$2.10	$2.20	$2.30	$2.40	$2.50	$2.60	$2.70	$2.80	$2.90	$3.00
$0.85	$197,260	$230,137	$263,014	$295,890	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767
$0.90	$164,384	$197,260	$230,137	$263,014	$295,890	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767
$0.95	$131,507	$164,384	$197,260	$230,137	$263,014	$295,890	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767
$1.00	$98,630	$131,507	$164,384	$197,260	$230,137	$263,014	$295,890	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767
$1.05	$65,753	$98,630	$131,507	$164,384	$197,260	$230,137	$263,014	$295,890	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767	$328,767
$1.10	$32,877	$65,753	$98,630	$131,507	$164,384	$197,260	$230,137	$263,014	$295,890	$328,767	$328,767	$328,767	$328,767	$328,767	$328,757
$1.15		$32,877	$65,753	$98,630	$131,507	$164,384	$197,260	$230,137	$263,014	$295,890	$328,767	$328,767	$328,767	$328,767	$328,767
$1.20			$32,877	$65,753	$98,630	$131,507	$164,384	$197,260	$230,137	$263,014	$295,890	$328,767	$328,767	$328,767	$328,767
$1.25				$32,877	$65,753	$98,630	$131,507	$164,384	$197,260	$230,137	$263,014	$295,890	$328,767	$328,767	$328,767
$1.30					$32,877	$65,753	$98,630	$131,507	$164,384	$197,260	$230,137	$263,014	$295,890	$328,767	$328,767
$1.35						$32,877	$65,753	$98,630	$131,507	$164,384	$197,260	$230,137	$263,014	$295,890	$328,767

Corn Price per Bushel

	$1.60	$1.70	$1.80	$1.90	$2.00	$2.10	$2.20	$2.30	$2.40	$2.50	$2.60	$2.70	$2.80	$2.90	$3.00
$0.85	$0.07	$0.08	$0.09	$0.10	[illegible]	$0.12	[illegible]	[illegible]	[illegible]	$0.16	$0.17	$0.18	$0.19	$0.20	$0.21
$0.90	$0.06	$0.07	$0.08	$0.09	$0.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$0.16	[illegible]	$0.18	[illegible]	$0.20
$0.95	$0.05	$0.06	$0.07	$0.08	$0.09	$0.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$0.18	$0.19
$1.00	$0.04	$0.05	$0.06	$0.07	$0.08	$0.09	$0.10	[illegible]	$0.12	$0.13	$0.14	$0.15	$0.16	$0.17	$0.18
$1.05	$0.03	$0.04	$0.05	$0.06	$0.07	$0.08	$0.09	$0.10	[illegible]	$0.12	$0.13	$0.14	$0.15	$0.16	$0.17
$1.10	$0.02	$0.03	$0.04	$0.05	$0.06	$0.07	$0.08	$0.09	$0.10	$0.11	$0.12	$0.13	$0.14	$0.15	$0.16
$1.15	$0.01	$0.02	$0.03	$0.04	$0.05	$0.06	$0.07	$0.08	$0.09	$0.10	$0.11	$0.12	$0.13	$0.14	$0.15
$1.20	$0.00	$0.01	$0.02	$0.03	$0.04	$0.05	$0.06	$0.07	$0.08	$0.09	$0.10	$0.11	$0.12	$0.13	$0.14
$1.25	$0.00	$0.00	$0.01	$0.02	$0.03	$0.04	$0.05	$0.06	$0.07	$0.08	$0.09	$0.10	$0.11	$0.12	$0.13
$1.30	$0.00	$0.00	$0.00	$0.01	$0.02	$0.03	$0.04	$0.05	$0.06	$0.07	$0.08	$0.09	$0.10	$0.11	$0.12
$1.35	$0.00	$0.00	$0.00	$0.00	$0.01	$0.02	$0.03	$0.04	$0.05	$0.06	$0.07	$0.08	$0.09	$0.10	$0.11

shaded is over the maximum $.10 per gallon- payment would be limted to $.10

[redacted]

2002	$2,195,397.26	
Average Corn Price		$2.00
Average Ethanol Price		$1.12
2001	$286,684.93	
Average Corn Price		$1.69
Average Ethanol Price		$1.48
2000	$357,589.04	
Average Corn Price		$1.65
Average Ethanol Price		$1.35
1999	$1,175,232.88	
Average Corn Price		$1.68
Average Ethanol Price		$1.10
1998	$2,564,164.38	
Average Corn Price		$1.95
Average Ethanol Price		$1.05
1997	$3,352,328.77	(bill limits the annual payment to $3 million)
Average Corn Price		$2.35
Average Ethanol Price		$1.15

Todd Exhibit 6

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2222

Page 3, line 28, remove the overstrike over "~~seven~~", remove "five", and remove the overstrike over "~~fifty~~"

Page 4, line 2, remove the overstrike over "~~five~~", remove "two", and remove "fifty"

Renumber accordingly

TERRY WANZEK

S.B. 2222

A Great Return on Investment for North Dakota

A new 40 million gallon per year ethanol facility will produce the following (in addition to 40 million gallons of ethanol)*:

- Approximately $60 million cost to build and equip for goods and services. Construction typically takes one year and generates a one-time boost of $142 million in final overall demand.
- Annual spending of more than $56 million on goods and services ranging from corn or other grains to labor and utilities. Virtually every dollar spent on operations will circulate several times throughout the entire local economy.
- Annual expansion of the economic base of the local economy by $110.2 million.
- Annual generation of an additional $19.8 million of household income.
- Support the creation of as many as 694 permanent new jobs.
- Generation of at least $1.2 million in new tax revenue for the state and local governments.
- Generation of additional revenue for local corn growers by increasing demand and typically results in an increase to the average local basis of 5 to 10 cents per bushel.
- A farmer or local business-owned facility, if successful, will return additional funds to the community through dividends and other return on investment.

** Source: "Ethanol and the Local Community," by John Urbanchuk & Jeff Kapell (June 21, 2002)*

VALLEY CITY AREA CHAMBER OF COMMERCE
205 NE 2nd Street • Box 724
Valley City, North Dakota 58072-0724
Office: 701-845-1891
FAX: 701-845-1892

To: Members of the ND House of Representatives Ag Committee

From: Raymond S. Morrell, Executive Vice President,
Valley City Area Chamber of Commerce/CVB

SUBJECT: SB2222

Mr. Chairman and members of the House Agricultural Committee, my name is Raymond S. Morrell and I am the Executive Vice President of the Valley City Area Chamber of Commerce/CVB. I write this state to request your 'do pass' recommendation on SB 2222 presented before you this day.

Ethanol is an obvious renewable resource in consumable energy. Its simple existence aids in reducing the demand for imported gasoline by nearly 100,000 barrels each day. According to a 1998 study conducted by Argonne National Laboratory, the use of corn-based ethanol results in 50-60% reduction in fossil energy use and reduce "greenhouse gas emissions". If this was common knowledge in 1998, what can be said for the production method of ethanol today 5 years later?

With the possible production of new ethanol plants, ND can position us into this increasing commodity. In order to make this venture effective, incentives will need to be in place to ensure the fair market return for the farmer.

Please bear in mind that the incentive requested are to be counter-cyclical to offset the fair market price of the corn. If the price of corn is high, the reimbursement for the corn producer shall be withheld to a low rate. If the corn market is not strong, then this provision shall provide a fair market incentive for the corn producer. This practice is applied in other states as well as being proposed for ND.

The production of a new ethanol plant can deliver immediate impact into ND economy. Immediate enhancement will be delivered with the simple construction, as approximately $50 million will be spent building it. In operation, it will provide 30-40 new jobs where as injecting over $1.5 million dollars of payroll directly into a community.

A new ethanol plant will also deliver secondary job effects and economic impact. This can result into a proposed $138 million dollar investment for ND. In the state of Iowa there are currently 13,250 jobs affected by ethanol, including 2,550 directly involved in ethanol production.

Furthermore, the production of a new ethanol facility will provide optimum emission standards and technological opportunities, as the jobs created will be far more intricate than those in current ethanol production facilities.

Ethanol production generates increased economic activity that will boost tax receipts for North Dakota. These revenues will more than offset the cost of the tax exemption, and actually contributes $3.6 billion in federal deficit reduction

This proposed ethanol tax incentive is crucial to the farmer's bottom line. In 1997, it helped to boost the U.S. Farm income by $4.5 billion. The benefits of the ethanol tax credit extend far beyond ethanol producers and blenders. Clean air, new jobs, increased farm income, rural economic development, lower fuels costs and reduced U.S. dependence on foreign oil are good for all.

Mr., Chairman and members of the House Ag Committee, I thank you for your time and encourage that you give a 'do pass' recommendation on SB 2222.

I have enclosed two news articles, the first from South Dakota and the second from Minnesota.

Sincerely,

Raymond S. Morrell
Executive Vice President
Valley City Area Chamber of Commerce/CVB
205 2nd Street NE
Valley City, ND 58072
701-845-1891 (office)
701-845-1892 (fax)
vccofc@hellovalley.com
www.hellovalley.com

South Dakota: Ethanol Plant Near Hudson Proposed

Mar 07, 2003 - News Channel 4, KTIV

Another ethanol plant could be coming to Siouxland as soon as the end of next year.

The project is in its formative stages. The plant will be located in southeast South Dakota, near the town of Hudson. It will produce around 45 million gallons of ethanol annually from nearly 16 million bushels of corn.

Organizers are busy now raising money for the big dollar ethanol plant.

An informational meeting about the proposal was held Thursday in Canton, SD. About 150 businesspeople and farmers attended.

It's the kind of attendance you want when you're trying to raise 60-million dollar for a new ethanol plant. That's what a company called Sioux River Ethanol is doing.

Broin Companies of Sioux Falls will design, engineer, build and manage the big plant. It will employ about 40 people and create a new market for corn in southeast South Dakota. "Not only is it a good investment for people getting involved we feel," says Brian Minish with Sioux River Ethanol VP, "Good for a farmer to hedge and reduce risk in his operation, but it has a tremendous economic impact in an area. You're going to have a payroll of about $1.5 million."

Farmer and investor Dennis Hardy adds, "With the world situation, there's a lot of opportunities for. So I felt it was another good chance to add value to my products without adding extra farmland or farming--raising more corn."

"This is what South Dakota needs, we need employment opportunities for the residents of the state. Plus, we need business opportunities," says another farmer, Reed Tieszen.

Sioux River Ethanol has an option on land south of Hudson, South Dakota. That's where the plant is expected to be built, only about two miles from the Iowa border. Despite that, neither Iowans nor people from states other than South Dakota will be allowed to invest in that project.

S.B. 2222

A Market-Based Ethanol Production Incentive Program

◇ **This bill creates a system that is reward-based, not punishment-based. It is an incentive, not a mandate.**

◇ **It is an important and necessary component of an overall economic development program in North Dakota**

◇ **A necessary component of any overall North Dakota economic development program is an ag component, especially a value-added ag component.**

◇ **This bill encourages development of a *renewable* fuels industry.**

◇ **The bill encourages less reliance on the uncertainty of the Mideast political unrest and oil cartel.**

◇ **The countercyclical feature is fair because it is based on the marketplace. If a newly-built ethanol facility buys corn at a high price and sells ethanol at a low price, that facility gets more; if it buys corn at a low price and sells ethanol at a high price, that facility gets little or nothing.**

◇ **It is prospective in scope, so it encourages future development.**

◇ **It is limited in duration, so that all benefits cease after a maximum of 10 years.**

◇ **It is fair and market-based, and will be important component of job creation in value-added agriculture for all North Dakotans.**

North Dakota Corn Utilization Council

TESTIMONY
To the
HOUSE AGRICULTURE COMMITTEE
Of the
NORTH DAKOTA LEGISLATURE

RE: SENATE BILL 2222

By James Schmidt
Director, NORTH DAKOTA CORN GROWERS ASSOCIATION

MARCH 13, 2003

Chairman Nicholas and Members of the Committee:

I'm a livestock producer from Menoken and I'm here to speak to the benefits of an ethanol plant to livestock producers. Many of our corn grower members are also livestock producers. There was a time when livestock producers saw ethanol plants as driving up the price of corn. This has changed as livestock producers have experienced the positive benefits of feeding the co-products of ethanol production. These co-products consist of the protein, fat, vitamins and minerals that are remaining after the starch portion of the kernel has turned into ethanol. This high energy, high nutrient feed is commonly referred to as DDGS or dried distillers grains with solubles. Other co-products are distillers wet grain and condensed distillers solubles.

Livestock producers report better gains due to the improved palatability and acceptability of rations mixed with co-products. A 30 million gallon ethanol plant would produce enough co-product to supply rations for 95,000 head for a year. The good news is that advanced fermentation technology and improved quality control is now producing a higher quality distillers grains. Industry reports indicate that distillers grains is the fastest growing livestock feed in the nation today, with expanding beef and dairy applications and increasing markets in the swine and poultry industries. Interestingly, ND producers such as Bill Price of Missouri River Feeders and others who fed the co-products get their shipments from South Dakota. The ND Corn Utilization Council funded a "DDGS for Drought" program in December targeting 40 livestock producers in the area between Hwy 281, the Missouri River, I-94 and the SD border. These 40 producers each received 5 tons of DDGS. The purpose was to introduce the feed to them and to help extend their feed supply. The director heading up the project, Bart Schott from Kulm, found that all of the DDGS from the Aberdeen SD plant were bought up through the year. The closest plant to get the feed was Rosholt, SD. Over 95% of the producers said they would continue to feed the DDGS. This shows that livestock feed co-products from an ethanol plant in ND would readily find an instate market at a cost competitive to shell corn.

Personally, I have also experienced the benefits of feeding co-products with my own herd. I have a buried tank on my farm that stores the condensed solubles which are in a syrup form. I mix this into my dry ration and my cattle have really taken to it. The gains I've seen are better than with any other feed ration. I wish there were an ethanol plant closer to my farm where I get this product. Right now it's shipped by tanker from SD or MN.

In summary, I'd like to stress that an ethanol plant would be a great benefit to livestock producers. We all know that the livestock industry could use a boost in North Dakota. We should feed the corn and co-products to our cattle and keep the value added potential of both the cattle and the corn in our state. Right now we ship everything away and let someone else make the money on our product. Fully funding this producer incentive bill is an important first step to seeing this happen.

Thank you.

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Agribusiness and Applied Economics
Miscellaneous Report No. 192

October 2002

Potential Corn Acreage Expansion for Ethanol Production: Western North Dakota

Cole R. Gustafson

Department of Agribusiness and Applied Economics
Agricultural Experiment Station
North Dakota State University
Fargo, ND 58105