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Deanna Hall
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10/22/03

Date

2003 SENATE AGRICULTURE

SB 2380

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2380

Senate Agriculture Committee

Conference Committee

Hearing Date 02/06/03

Tape Number	Side A	Side B	Meter #
2		x	420 - end
3	x		0 - 1300
Committee Clerk Signature 			

Minutes:

Senator Flakoll opened the hearing on SB 2380. All members were present.

Senator Espegard introduced the bill. The bill deals with high value agriculture. Several producers will appear with testimony before the committee.

Maynard Helgaas, Chairman of the Commercial Vegetable Growers of North Dakota, testified in favor of the bill (written testimony)

Senator Klein asked about the development plan, how do you envision financing?

Mr. Helgaas said they previously went to APUC for funding. He explained the financing described on his attachment "Commercial Vegetable Growers of North Dakota Phase 3 Development Plan 2003 - 2005.

Senator Klein asked if the board would make a decision.

Mr. Helgaas said an application would have to be submitted to the grant board.

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Senate Agriculture Committee
Bill/Resolution Number SB 2380
Hearing Date 02/06/03

Senator Urlacher said he has toured the Oakes experiment station and there is great potential in North Dakota. Have you done studies of the carrot juice market? (meter # 2161)

Mr. Helgaas said they have investigated the market but more study would be necessary.

Senator Urlacher asked if they had investigated the soil types and aquifers to come up with potential locations.

Mr. Helgaas said they have 9 areas identified where the soil types, water type and quantity are suitable.

Senator Erbele asked about the figure that 85% of our vegetables are imported - is pricing a factor? His experience says marketing and distribution could also be issues.

Mr. Helgaas said most of the vegetables are coming out of Mexico. Freshness and freight can be accomplished. Pricing is competitive but they think they can do it.

Senator Erbele asked about the rural work force, what is the job potential, do we have the work force?

Mr. Helgaas said Rod will address this in his testimony. (meter # 2617)

Senator Flakoll asked about year 2 in the development plan, expanding the whole onion facility at a cost of \$200,000.

Mr. Helgaas said once you take the peel off the onion, it really expands the market. They expect the market to grow rapidly.

Senator Nichols said there have been some attempts and some reasonable success in some ventures, for example carrots, then something happens and it all quits. What happens?

Mr. Helgaas said he would use carrots as an example. There was a marketing problem with the carrots. They were off to a good start but then 4 - 5 other plants started up and competed on price

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Senate Agriculture Committee
Bill/Resolution Number SB 2380
Hearing Date 02/06/03

and there was nothing left. Also, wet falls contributed to difficulty with harvest. Due diligence is necessary. It is important to test the market as much as possible.

Senator Flakoll asked about the \$100,000 in year 3 in the development plan for a market management company.

Mr. Helgaas said they went to Winnipeg and looked at Peak of the Market, a 40 year old marketing company that markets vegetables. They would pull all the cabbage, carrot and onion producers together in a cooperative group to do joint marketing, set high standards for high quality products and maintain the price structure.

Senator Urlacher asked if this group would set up an allotment?

Mr. Helgaas said yes, they would produce according to what they could sell.

Richard Greenland, Research Supervisor at the Oakes Irrigation Research Site and Associate Agronomist at NDSU, testified in favor of the bill. (written testimony) (meter # 3236)

Senator Flakoll asked about the jobs that come with vegetable production, what level are the wages?

Dr. Greenland said many of the jobs are fieldwork, some grading. They would not be high end jobs, mostly high school graduate level.

Senator Erbele asked about vegetable pricing. Are vegetables on the board of trade?

Dr. Greenland said the price is usually set by the buyer.

Senator Erbele clarified there is not a base price?

Dr. Greenland said no.

Senator Urlacher said he had heard North Dakota could out produce California in tonnage per acre in cabbage. Is this true?

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Senate Agriculture Committee
Bill/Resolution Number SB 2380
Hearing Date 02/06/03

Dr. Greenland said yes.

Senator Klein said onions have been raised in the Oakes area for a number of years. Have these trials shown success with onions?

Dr. Greenland said as with most vegetables, some years are good for onions and some are not. When farmers diversify, they increase their chance of success, one year onions do well, another year cabbage does well. We produce a good onion but the pacific northwest produces a better onion. We out produce all areas in cabbage and carrots.

Senator Klein said the Walla Walla onions from the pacific northwest are popular. What varieties do we raise in North Dakota?

Dr. Greenland said a lot of the popularity of varieties is in the marketing. North Dakota produces a Sweet Amber onion that is sweeter than a Walla Walla or Vidalia but it has not been marketed.

Senator Nichols asked about our lack of continuous flow of product, would increased storage help us provide product almost year round?

Dr. Greenland said cabbage and carrots can be stored for a year. Onions can't be stored as long.

Senator Nichols asked if marketing agents are used in marketing.

Dr. Greenland said he is not a marketing expert but there are many agents involved.

Carol Goodman, Executive Director of the Cavalier County Job Development Authority could not attend the hearing but sent written testimony which was distributed to the committee.

Rod Holth, potato farmer in Karlsruhe, Chairman of the Board of Dakota Fresh in Medina, Director of KIDCO Farms in Dawson and member of the Executive Committee of the Commercial Vegetable Growers of North Dakota, testified in favor of the bill. (written testimony) (meter # 4647)

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Senate Agriculture Committee
Bill/Resolution Number SB 2380
Hearing Date 02/06/03

Regarding pricing, when we are getting vegetables from Mexico, its almost always a matter of price. In Holland there are 25,000 acres under glass, 15,000 devoted to tomato production. 85% of those tomatoes are loaded on KLM or Northwest flights for same day delivery to Minneapolis. The transportation doubles the price.

Regarding employees, in Dawson and Medina, there have been 3 - 4 applicants for each job posted. The employees are wonderful, hard working, committed people. The jobs range in pay from \$8 to \$15 per hour. The employees are provided with health insurance, a benefit that seems to be very important to the workforce. Its the first question a prospective employee asks, even before they ask about the pay scale.

Regarding expansion of the onion facility in Dawson in year two, the industry is moving to a whole peeled onion. The finished product from Dawson will be loaded into 1400# totes and will go to processors more than into the fresh market. The issue of waste water treatment has become such an issue in urban areas that the processors want a peeled onion. The market is expected to explode and that is why they expect to expand the facility in year two.

They have been working with an onion expert in Idaho. When he heard about the plans for a new whole peeled onion facility in North Dakota, he is considering changing his plans for a new dicing facility in Idaho and perhaps joining forces with North Dakota in the development of the onion facility.

Senator Klein asked about the shelf life of a whole peeled onion.

Mr. Holth said they are still refrigerated. The markets they are exploring are close enough that shelf life won't be an issue. There is a Minneapolis firm that will take all the whole peeled onions they can produce.

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Senate Agriculture Committee
Bill/Resolution Number SB 2380
Hearing Date 02/06/03

Senator Klein asked if the jobs are held by a secondary wage earner in a family?

Mr. Holth said they are often wives of farmers and ranchers who want to stop paying their own health insurance premiums.

Senator Nichols asked about the marketing aspects of distribution and sales.

Mr. Holth said in some cases you have to go through brokers. In the case of the onions, it is a direct relationship with a processor. Relationship development is very important in this business and it takes years.

Senator Klein asked where is the Dawson plant?

Mr. Holth said south of town, with onion storage in a converted potato warehouse and the onion processing plant right next to the warehouse.

Senator Klein said to get to this point you have had to leverage dollars through the development fund and APUC. The funds requested would form a high value fund with experience in vegetable production and processing?

Mr. Holth said yes. They have received funds from a variety of sources and it is a big job to put it all together. Its a beautiful facility.

Conrad Kalberer, North Dakota Irrigation Caucus, testified in favor of the bill. (meter # 190)

The bill would provide a method of financing storage facilities and processing plants. Irrigation systems can be financed through existing programs.

Senator Nichols asked about potatoes being raised in the flats near Williston. Are there other vegetables being raised in the area?

Mr. Kalberer said there are also some sugar beets and a few onions.

Senator Nichols asked where those onions are processed.

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Senate Agriculture Committee
Bill/Resolution Number SB 2380
Hearing Date 02/06/03

Mr. Helgaas came back to the podium to help with the question. He said the first year of onion production is a learning experience. Next year there will be more onions produced in the Williston area and they will be processed at the whole peeled onion facility.

Senator Urlacher asked about tomatoes being grown under glass.

Mr. Kalberer said there is a grower north of Belfield who is also growing lettuce. Its a small operation.

Senator Klein asked if the bagged salads are produced with home grown produce in the summer, purchased produce in the winter?

Mr. Kalberer said storage is needed so they can process for longer periods of time.

Mr. Holth helped with the question. They are helping the grower in the Manning area with the production of romaine for the plant in Medina. They are getting an 80% recovery rate on his product as compared to a 40 - 50% recovery rate for the product brought in from California.

Dakota Fresh needs an entrepreneur to build a glass house for year round production of lettuce.

North Dakota has more winter sunlight hours than anywhere else in the world and that is what is needed to successfully grow lettuce. It takes 6 weeks in Belgium to bring a lettuce crop to maturity in the summer and 9 weeks in the winter because it is always cloudy. We just need the engineering to withstand a hail storm.

Senator Klein said a few years ago the wind went through Dawson and ruined the plastic sheets.

Chairman Flakoll closed the hearing on SB 2380. (meter # 715)

Senator Klein said there seems to be a niche and if we can find some niches and make them work, we should do it.

Senator Nichols said its apparent they have put a lot of thought and work into the project.

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Senate Agriculture Committee
Bill/Resolution Number SB 2380
Hearing Date 02/06/03

Senator Urlacher said there is a tremendous potential in North Dakota and he hopes we can tap into it. Marketing is essential.

Senator Klein said this group is already doing this, they are looking to the future.

Senator Flakoll said he appreciated the group's use of professional marketing assistance.

It was moved by Senator Klein, seconded by Senator Urlacher and passed on a roll call vote that the Senate Agriculture Committee take a Do Pass and Re-Refer to Appropriations action on SB 2380. Voting yes were Senator Flakoll, Senator Erbele, Senator Klein, Senator Urlacher, Senator Nichols and Senator Seymour. There were no negative votes cast. Senator Erbele will carry the bill to the floor.

Chairman Flakoll adjourned the meeting of the Senate Agriculture Committee.

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Date: 2/6/03
 Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2380

Senate Agriculture Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass + Re Refer to Appropri

Motion Made By Sen Klein Seconded By Sen Urlacher

Senators	Yes	No	Senators	Yes	No
Senator Tim Flakoll, Chair	✓		Senator Ronald Nichols	✓	
Senator Robert S. Erbele, V. Chair	✓		Senator Tom Seymour	✓	
Senator Jerry Klein	✓				
Senator Herb Urlacher	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen. Erbele

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Deanna Malin Operator's Signature Date 10/22/03

REPORT OF STANDING COMMITTEE (410)
February 6, 2003 4:47 p.m.

Module No: SR-23-1020
Carrier: Erbele
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
SB 2380: Agriculture Committee (Sen. Flakoll, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2380 was rereferred to the Appropriations Committee.

(2) DESK, (3) COMM

Page No. 1

SR-23-1020

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2003 SENATE APPROPRIATIONS

SB 2380

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Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2380

Senate Appropriations Committee

Conference Committee

Hearing Date February 14, 2003

Tape Number	Side A	Side B	Meter #
2	X		3240-end
2		X	1-85

Committee Clerk Signature *Mary Kay Wisker*

Minutes:

Senator Holmberg opened the hearing on SB2380. Eleven committee members present, three members absent. This bill relates to the value-added agricultural promotion program.

Maynard Helgaas, Chairman of the Commercial Vegetable Growers of North Dakota

(mtr #3260) - Introduced the bill and testified in support of SB2380. Written testimony is attached, see exhibit 1.

Senator Andrist (mtr #4285) - Are here to study the money, would this bill be useful in anyway if the money were taken out.

Mr. Helgaas (mtr #4326) - It would cripple our efforts. Went into explanation of financial commitment needed from the state in order to attract other investors.

Senator Andrist (mtr #4410) - Need to rephrase the question, does this bill do anything else besides provide funding.

Mr. Helgaas (mtr #4434) - The funding is the major part.

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10/22/03
Date

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Senate Appropriations Committee

Bill/Resolution Number SB2380

Hearing Date February 14, 2003

Dr. Richard Greenland, Research Supervisor at the Elks Irrigation Research Site (mtr #4533) -

Have conducted research for the past twelve years, have studied over thirty different vegetables to determine which adapt to North Dakota weather. Went of the results of his studies and the potential for producing commercial vegetables in North Dakota. Explained the competitive advantage ND has over other areas.

Steve Knorr (mtr #5160) - Testified in support of SB2380. Written testimony is attached, see exhibit 3.

Mr. Helgaas (mtr #5287) - Slide show presentation on agriculture in ND and the products grown.

Senator Holmberg (mtr #6135) - Will close the hearing due to time constraints. Asked a general question. Has anyone read the language bill?

Tape 2, Side B

Continued discussion on the bill the funding in the bill and the resolves the question regarding the value of the bill if the funding is removed.

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2380 Votes

Senate Appropriations Committee

Conference Committee

Hearing Date Feb. 17, 2003

Tape Number	Side A	Side B	Meter #
#2		X	4,280 - 5200

Committee Clerk Signature *Jan Hendricks*

Minutes:

SB 2380 for value-added Agriculture Promotion Board for providing grants to irrigation districts and to producers and processors of high-value crops, including vegetables.

Senator Andrist moved that the appropriation section of the bill. Also the last sentence before that which talks about providing grants. Seconded by Senator Kilzer.

Voice vote on the amendment, motion carried.

Motion by Senator Andrist, seconded by Senator Mathern for a DO PASS as AMENDED.

Concerns were expressed about the board that was started last session and has not meet as often as they might have.

Roll call vote was taken, which is attached. Total 11 yes, 0 no, 3 absent and not voting.

Motion carried. Senator Andrist will carry the amendment. Agricultural Committee will carry the bill, Senator Eberle.

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10/22/03
Date

30758.0301
Title.0400

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

Ju3
2-18-03

PROPOSED AMENDMENTS TO SENATE BILL NO. 2380

Page 1, line 2, remove "; and to provide an appropriation"

Page 2, line 25, remove "The board"

Page 2, remove lines 26 through 31

Page 3, remove lines 1 through 4

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes the \$500,000 general fund appropriation to the Value-added Agriculture Promotion Board for providing grants to irrigation districts and to producers and processors of high-value crops, including vegetables.

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Date: 2/17/03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2380

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken do pass as amended.

Motion Made By Andrist Seconded By Mathern

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) 11 No _____

Absent 3

Floor Assignment (Ag Com. Bill) Eberle amendment - Andrist

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

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Deanna Tallackson Operator's Signature 10/22/03 Date

REPORT OF STANDING COMMITTEE (410)
February 18, 2003 2:29 p.m.

Module No: SR-31-3132
Carrier: Andrist
Insert LC: 30758.0301 Title: .0400

REPORT OF STANDING COMMITTEE

SB 2380: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). SB 2380 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "; and to provide an appropriation"

Page 2, line 25, remove "The board"

Page 2, remove lines 26 through 31

Page 3, remove lines 1 through 4

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes the \$500,000 general fund appropriation to the Value-added Agriculture Promotion Board for providing grants to irrigation districts and to producers and processors of high-value crops, including vegetables.

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2003 HOUSE AGRICULTURE

SB 2380

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2380

House Agriculture Committee

Conference Committee

Hearing Date March 14, 2003

Tape Number	Side A	Side B	Meter #
1	X		70-1728

Committee Clerk Signature *Elizabeth R. Green*

Minutes: **Chair Nicholas:** Opened hearing on SB 2380

Mike Dwyer (ND Irrigation Caucus): Senate removed the appropriation for this bill, but the language gives the ability to work with groups on high value irrigation.

Rep. Nicholas: We already do this with the Agricultural Products Utilization Commission (APUC). Sees this as a whole mechanism of boards, etc. and we already have grants available. Dwyer said this doesn't create anything. Nicholas asked if they have gone to APUC. Dwyer said that APUC has been responsive. Nicholas said he would rather see more money go to APUC and be earmarked. Dwyer said he is not sure how active the board is, but they do have a role and he would like to see high value irrigation left there.

Rep. Kingsbury: Is there a budget or a financing advisory group or do they only come together when they need money? Dwyer said they come together when money needed.

Rep. Mueller: What are we accomplishing with new language? Dwyer said that in order to accomplish anything, you need to start somewhere.

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House Agriculture Committee
Bill/Resolution Number 2380
Hearing Date March 11, 2003

Rep. Onstad: The language says "the board shall," is it that they haven't? Dwyer said he is not sure how active they are.

Rep. Nicholas: Senate stripped the appropriations. We have APUC, which grants awards. It is a good mechanism. This is a state of small businesses.

Rep. Mueller: He agreed, but wonders what it would hurt.

Rep. Nicholas: We would just be putting into statute what they already do.

Rep. Kingsbury: Looks at this committee as an arm of APUC. Where did the board come from?

Rep. Onstad: The board was put in place last session. You go to APUC first and then to the board. Each group gives a different perspective.

Mike Dwyer: APUC has funded them, but it is seed money. They need a 3 yr. effort, which APUC does not like to do. The group wants to start a vegetable industry in ND. One grant in the first year is not enough. They can not do the subsequent years, so why even start in the first?

Rep. Nicholas: Would like to get APUC to make successive grants. Maybe there should be a mechanism to have longer grants to start an industry. Dwyer said that APUC does not have enough money. They also plan on approaching the Water Commission.

Rep. Nicholas: Have you looked into FSA grants? They give quite a bit of money to ND. Dwyer said that he has not.

Chair Nicholas: Closed the hearing on SB 2380

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2380

House Agriculture Committee

Conference Committee

Hearing Date 3-21-03

Tape Number	Side A	Side B	Meter #
ONE	A		38.5 TO 4.9

Committee Clerk Signature *Edward D. Elton*

Minutes:

CHAIRMAN NICHOLAS: Ok, committee members I have SB 2380. Did any of you get E-mails from Maynard Helbroock. Irrigators. I did copy some of these off. I also did a little additional work. I asked the Department of Commerce which I am going to pass out to all of you.

REP. ONSTAD: Mr. Chairman, these have gone through the Agriculture Products Utilization Commission.

CHAIRMAN NICHOLAS: Yes and if you will turn to the bottom of the second page you will see that the vegetable total is \$330,725.00 and the irrigation total is \$197,040.00 dollars. The have received from the Department of Commerce --Agriculture Products Utilization Commission \$527,765.00 dollars. You will see on the 10-25-00 the Executive Vegetable Marketer received a Grant Amount of \$65,000.00 and then they followed up with another \$12,000.00 and another \$35,000.00 and another \$52,000.00 over a two year period of time

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Deanna Ballin
Operator's Signature

10/22/03
Date

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House Agriculture Committee
Bill/Resolution Number SB 2380
Hearing Date 3--21--03

To kind of keep an on going thing to help them and provide them money. I did a little further study and one of the comments was the money was taken out of this but it is my understanding That if there were Moines available it could come into the North Dakota irrigation development association or the irrigation cocas and they could probable administer if there was money That was from the water commission, the Garrison Conservancy District. They already have a mechanism to accept these grants. To put this money out with out creating this new North Dakota Irrigation Development. I don't know if we need this legislation. Another thing we tried to do with APUC and I guess if we need to restructure APUC that is kind of been our value added area where we went to for grants for all types of value added. Where I am at, I think we have a pretty good mechanism in placse. I think the proof is kind of in the pudding that they have kind of stepped up. When ever they have wanted money. I know they are trying to develop an industry here and I know it takes a lot of money. I highly respect these people. These are very motivated people and they have developed that Steel Dawson area. There is close to twenty thousand irrigated acres over there. They are kind of going a two year rotation. They can get by with that short term but you can't get by with that for to long term. You have to move that rotation out to three years or more so they are looking at some other crops and they are trying to come up with dollars to develop vegetables or what ever. I certainly would like see them continue with there work. I just don't know if we should create another board or commission. We have so many already.

REP. BELTER : Would you like a motion?

CHAIRMAN NICHOLAS ; Is there anyone that sees this differently?

This could be a multimillion dollar industry and we certainly don't want to shut the door.

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They can go back to APUC as often as they want to. This could be substantial.

There was some additional discussion between committee members. After the discussion
CHAIRMAN NICHOLAS asked the members what their wishes were and he then entertained
a motion for action on the bill.

REP. BELTER MADE A MOTION FOR A DO NOT PASS

REP. KINGSBURY SECONDED THE MOTION

THE ROLL WAS TAKEN:

THERE WERE 10 YES 1 NO AND 2 ABSENT.

REP. ONSTAD CARRIED THE BILL.

CHAIRMAN NICHOLAS CLOSE ON SB 2380

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10/22/03
Date

SB 2388
3-21-03

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 _____

Action Taken DO NOT PASS

Motion Made By BELTER Seconded By KINGSBURY

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

Total (Yes) 10 No 1

Absent 2

Floor Assignment ONSTAD

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Deanna O'Connell 10/22/03
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)
March 21, 2003 12:00 p.m.

Module No: HR-51-5400
Carrier: Onstad
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2380: Agriculture Committee (Rep. Nicholas, Chairman) recommends DO NOT PASS (10 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). SB 2380 was placed on the Fourteenth order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-51-5400

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10/22/03
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2003 TESTIMONY

SB 2380

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Operator's Signature

10/22/03

Date

NDIC
June 13, 2002

Irrigation 2020---Vision Statement

It is the vision of the North Dakota Irrigation Caucus and its irrigation partners that irrigation must be strengthened and expanded to build and diversify North Dakota's economy. New irrigation development will take place with water from the Missouri River, and from groundwater and surface water sources throughout the state.

Markets are the foundation for expanding irrigation development, and for capturing the economic opportunities that are associated with irrigation development. Thus, a priority effort of the Irrigation Caucus and its partners will be to work together to expand existing and develop new markets for irrigation production. In addition to markets, new irrigation development will require expanded and coordinated irrigation research, stronger financing and funding mechanisms, communication, education and information, and coordination of irrigation activities. The vision must achieve these objectives.

Each acre of irrigation in North Dakota generates cash income equivalent to five unirrigated acres. Increasing irrigation acres by 100 percent could provide a tremendous increase in North Dakota's rural economics, including farm income, increased job and employment opportunities, and tax revenues. Included in the vision for new and expanded irrigation is the production of high value crops, crops for processing facilities, vegetable production and processing, animal operations, and small-scale greenhouses and nursery production systems.

Irrigation provides reliability of production, quality of products, diversification and stabilization of individual farms, and strengthening of rural areas, in addition to the significant economic opportunities. The benefits of achieving this vision for irrigation developments are enormous, and should be achieved as soon as possible.

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Testimony Presenters On Senate Bill 2380

1. **Sen. Duaine Espegard- Sponsor (Introduction)**
2. **Sen. Dave Nething – Provided leadership for the early success of CDG now CVG**
3. **Maynard Helgaas – Developing the vegetable industry within our state**
4. **Dr. Richard Greenland- “We can grow vegetables”**
5. **Carol Goodman- - - -Vegetable industry impact on rural communities in ND**
6. **Rod Holth - - - - - Why conventional financing does not work in the development of a new industry such as vegetables**
7. **Mike Dwyer- - - - - The impact the vegetable industry would have for irrigation development .**

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**Testimony of Maynard Helgaas, Chairman
Commercial Vegetable Growers of North Dakota
On Senate Bill 2380, February 6, 2003**

Mr. Chairman and members of the Senate Agricultural Committee.

My name is Maynard Helgaas and I am the Chairman of the Commercial Vegetable Growers of North Dakota (CVG). I would like to provide you some back ground information as to the origin of CVG, it's project development, mission and where we're at today;

- 1991 The High Value Irrigated Crop Task Force was formed to introduce HVIC and development of our irrigation potential. J.R. Simplot expressed an interest in a potato processing plant in Central North Dakota and the HVICTF organized the Central Dakota Growers (CDG) producers organization.
- 1995 Central Dakota Growers and their Economic Development Partners (EDP) worked to bring in a "Green Field" frozen potato processing plant and industry to Central North Dakota.
- 1999 CDG re-organized as Commercial Vegetable Growers of North Dakota and expanded to cover the entire state. Their mission was to look at the introduction of other HVICs that would rotate with potatoes in the irrigated areas of the state. The HVICTF also had a request from the State Ag. Dept. to assist in increased irrigation development.
- 2001 CVG and their nine EDP communities were provided a matching grant from APUC to fund a national vegetable marketer.

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Maynard Helgaas
Operator's Signature

10/22/03
Date

- We were able to secure agreements with three onion markets, one continuing carrot market and cabbage markets for both fresh and processed as a result of our marketer. Most of our markets were Eastern US and with the 9-11 disaster, transportation was very expensive and difficult.
- 2002 APUC informed us their policy would not allow them to commit to more than one year for marketing grants and we were unable to continue to retain a marketer under a short term agreement. We therefore began to look for an alternative funding program which would sustain a longer term marketing plan.

Three Companies were formed as a direct result of the 2001 marketing efforts;

- 2002 Dakota Fresh, Inc. a fresh cut salad processing plant was established at Medina, North Dak.
- 2003 Kidco Inc. a whole peel onion plant processing plant is being established and will begin processing next week at Dawson, North Dakota
- 2003 Direct Line Distributors, Inc, is a food distribution company owned by seven food processors in North Dakota and operates out of Lansford, North Dakota.

We want to extend our appreciation to you for providing legislation four years ago that authorized irrigation districts to bond, through the North Dakota Bond Bank, for capital improvements needed as a part of developing and marketing high value crops including but not limited to

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storage, packaging, processing and marketing of those crops. That provided part of the infrastructure in the development of a commercial vegetable industry for our state. Since there had been very little use of improvement bonds by irrigation districts, Bond Bank advisors were reluctant to approve these bonds since there was no historic experience. Last year, the Irrigation Caucus, Bank of North Dakota, and the North Dakota Bond Bank along with the USDA worked out a guaranty agreement whereby up to ninety percent of irrigation district bonds could be guaranteed in developing the vegetable infrastructure that will be needed. The guaranty would require a twenty percent equity by the district, which would be provided by in-state venture capital entities, private capital irrigation districts and state value added -high value crop grants through approval of Senate Bill 2380. This would provide the capital for storage, packaging, processing and marketing infrastructure necessary to develop the vegetable industry in North Dakota. These facilities would be owned by non-profit irrigation districts and private capital investors with fixed buyout agreements and would be leased by the producers. We believe this program will share risk over a broader base and not leave all the burden on the producer.

We expect these value added facilities will not be large, but there would be a number of them throughout the state and there would be significant employment both on and off the farms. We believe establishing the vegetable industry in our state will help stem the out-migration of our more rural communities, where these facilities will be located, and will also create rural prosperity for our rural communities.

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10/22/03
Date

We have also provide you with a copy of our three year strategic plan through 2005. The detailed plan for 2003 calls for funds for three studies, research, expansion of Dakota Fresh salad company, a onion storage facility, a marketer and the initial phase in the development of a marketing company. The second year, we have plans for a carrot storage and juicing processing plant and vegetable packaging facility, research, expansion of the whole peel onion processing plant and market development through our marketer. We will also expand markets to include minor crop packaging , seed production and horticulture landscape production.

This is why we need your support and favorable vote for the amendment and appropriation provided in Senate Bill 2380.

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10/22/03
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THREE YEAR DEVELOPMENTAL PLAN FOR IRRIGATION AND HIGH VALUE CROPS IN NORTH DAKOTA

ACTION ITEM	Total Cost	I Dist. EDP support	CVG & Equity Invest.	Venture Capital & Venture Capital	Private donation & Venture Capital	I District bonds/loans	State support	Budget without State support
FISCAL YEAR 2005								
Marketer and travel expenses	110,000		15,000		15,000		90,000	None
Cabbage storage with Cont. Atm	300,000		30,000	30,000		240,000		None
Minor crop development including								
cabbage, garlic & horticulture	50,000		10,000		10,000		30,000	None
Carrot, cabbage & onion research:	100,000		10,000		10,000		80,000	Limited
Total	560,000		65,000	30,000	35,000	240,000	190,000	
Three Years Total	4,015,000		367,000	855,000	200,000	1,900,000	685,000	

Number of new and expanded plants is projected to be 10
 Number of new jobs on the farm is expected to be 100 and in processing and packing is 75
 The estimated revenue is expected to be around \$6,000,000.00 and estimated profit would be \$1,500,000.00
 Crop acreages for the first crops identified would be 1340 (Onion 500, Carrot 700, Cabbage 100 and minor crops 40)

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Operator's Signature *Debra J. ...*

10/21/03
Date

Report to the Senate Agriculture Committee

RE: Senate Bill 2380

By: Richard Greenland
Research Supervisor, Oakes Irrigation Research Site
Associate Agronomist, North Dakota State University

Potential for commercial vegetable production in North Dakota

I have conducted research at the Oakes Irrigation Research Site south of Oakes ND for the past 12 years. I have studied over 30 different vegetables to determine those adapted to North Dakota and how to grow them. The results of my studies and research done by others show that North Dakota's cool climate, northern latitude, and rich soils are great assets in producing many vegetables.

The potential for commercial production of vegetables in ND is very high. Some of the reasons for this are:

- I. We have a competitive advantage over many other areas of the United States.
 - A. We have high yields and quality, especially in cabbage, carrot, and potato production.
 - B. Our input costs are lower due to lower land costs, less disease, lower water use, and generally shorter transportation distances to market.
- II. We have experience in the higher management level necessary for vegetable production.
- III. Basic research defining the agronomic practices necessary to produce vegetables in ND has been done, and more research continues to support vegetable production.
- IV. We have irrigation to produce vegetables, although more is needed. Vegetables should not be produced without irrigation.

Some disadvantages are:

- I. We cannot supply a continuous flow of product. All our crops are harvested in the fall. We have limited storage capacity, especially for cabbage, carrot, and onion.
- II. Packing and processing capacities are limited.
- III. Market channels are already established that favor other regions. We need to break into those markets.

Commercial vegetable production would increase revenues to ND. Net returns per acre are much higher for vegetables than for most traditional crops. They range from about \$200 to \$500 per acre. Input costs are higher, but some of those input costs are paid as labor, providing jobs for North Dakota. Vegetable production is also more risky than producing traditional crops.

Production practices have been refined and are in place for many vegetables. Over the past several years we have put most of the pieces in place for commercial vegetable production. We are ready to step up to the next level.

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Richard Greenland
Operator's signature

10/22/03
Date



Cavalier County Job Development Authority
901 Third Street
Langdon, ND 58249

Phone: 701-256-3475/Fax: 701-256-3536

e-mail: ccjda@utma.com or goodman@utma.com

Thursday, February 6, 2003

To: Members of the North Dakota State Senate Agriculture Committee

From: Cavalier County Job Development Authority

RE: SB 2380

Dear Members of the Committee:

The Cavalier County Job Development Authority (CCJDA) urges your support for SB 2380.

Cavalier County has traditionally and consistently been one of the top agricultural producers for North Dakota. However, for the past 10 years we have also been one of the areas of the state that has been severely impacted not just by an unstable agricultural industry, but also by wet weather and related crop disease problems. Consequently, our farmers are looking for new, higher-value crops that will fit this region.

CCJDA partners with the Langdon NDSU Research Extension Center in our efforts to identify and develop value-added agricultural projects, and through that effort we have supported the work of the Commercial Vegetable Growers of North Dakota. Together, we are looking for ways to transform our region.

The intent of SB 2380 to establish a Value-Added Agricultural Promotion Board will assist us in that effort in the following ways:

- It will strengthen the developing new agricultural industries in the state.
- The leadership and experience of the promotion board members will assist in the development of projects.
- The co-location in the Department of Commerce will further coordinate the already strong economic development relationships between local and state-level efforts.
- The board will assist communities like ours that are currently researching the development of center pivot and supplemental irrigation infrastructure.

The Cavalier County Job Development Authority strongly endorses SB 2380. Thank you for your time and attention.

Sincerely,

Carol Goodman
Carol Goodman, Exec. Dir.
CCJDA

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10/22/03
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**TESTIMONY OF ROD HOLTH, SEC. TREAS. OF CVG OF ND -
SENATE BILL 2380, FEBRUARY 6, 2003**

Mr. Chairman and members of the Senate Agriculture Committee. My name is Rod Holth, and I have served on the executive committee of CVG of ND since its inception in 1992. My partners and I grow irrigated potatoes at Karlsruhe, North Dakota. I am also a stockholder and Chairman of the Board of Dakota Fresh in Medina, and I'm also a stockholder and director of KIDCO Farms in Dawson. I'd like to discuss the issues of financing added-value ventures in rural North Dakota. While I don't believe it is government's role to finance such ventures, I do believe that government's role should be to lessen the risk.

When we started the plant in Jamestown that is now Cavendish Farms, we wanted an ownership share in the plant. To own something less than 25% of that company would have required an investment of \$750,000 each on the part of the seven of us that started that plant. As most of the growers were new to the potato business, and had to preserve their capital to get into potato production, the money simply wasn't there.

Conventional lenders in North Dakota have been good to work with, but the scope of the risk they can assume is very limited by regulation. A good example of this is the plant we just finished building in Dawson. At a cost of just under \$400,000, it was recently appraised at \$185,000. With a 75% real estate loan, conventional financing could give us a \$138,000 loan to build a \$400,000 building. Using the Ag Pace program gives us an interest buydown, and lessens the risk for the conventional lender, but almost always requires a guarantee of some sort - USDA, SBA or personal. USDA and SBA have been excellent to work with, but both require a personal guarantee on the part of any owner of 20% or more of the company.

The North Dakota Development Fund was created to bridge the financing gaps as I described above and they have also been excellent to work with, but they, too, are limited in the scope of the risk they can take and must report to you, the legislature. SB 2380 doesn't solve all of the above described financing problems, but it is a step towards providing an appropriation that could be leveraged with other existing programs to lessen the risk and increase the supply of capital for added value ventures.

Let me close with some numbers. Total sales of farm products in 1990 was \$100 billion. By 2000, this had increased to \$123 billion. Total sales of processed food in 1990 was \$231 billion. By 2000, this had increased to \$660 billion. In the food chain, from the farm to the fork, production agriculture always has the smallest profit margin.

When we landed the Cavendish plant in 1995, we considered it a home-run. I don't think we'll hit many more of them, but what kind of an impact would we have on our rural communities and our out-migration problem if we had 100 small plants in small towns across the state such as we have recently built in Medina and Dawson?

I would urge a Do-Pass recommendation on SB2380. Thank you.

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10/22/03
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Irrigation projects

4/1/94 05500-36 HVTC Task Force VIII Grant Amount: \$15,000.00
 Investigate development opportunities for the growth, processing, and marketing of irrigated crops.

4/1/95 05600-66 HVTC Task Force Grant Amount: \$17,850.00
 Continue working with area farmers and processing companies to diversify the area's agricultural base by developing high value crops on irrigable lands. Also working to establish and attract a vegetable-processing firm into the area.

4/1/96 01100-21 HVTC Task Force V Grant Amount: \$17,850.00
 Attempting to continue working with area farmers and processing companies to diversify the area's agricultural base by developing high value crops on irrigable lands. Also working to establish and/or attract a vegetable-processing firm into the area.

4/1/97 01100-72 HVTC Task Force VI Grant Amount: \$18,840.00
 Focus on markets for other high value crops that can be used in rotation with potatoes, especially carrots and onions. Irrigation is to enter the market as it currently exists, not developing new processing methods or new crops at this time.

Other irrigation projects that Rudy Radke and Maynard Halgans had some involvement in.

11/27/98 06600-50 Horse Head Valley Irrigation Grant Amount: \$35,000.00
 To provide a comprehensive look at the feasibility of irrigating up to 60,000 acres of land in Emmons County. Stemming from this development will be the introduction of high value crops and potential for the development of value added processing plants and large dairy operations.

9/15/99 07700-02 Mearns/Diver Irrigation Grant Amount: \$52,500.00
 Do a feasibility study of irrigating up to 80,000 acres for growing high value, alternative crops with the potential of locating food processing plants in the area.

3/1/00 07700-23 ND Irrigation Caucus Grant Amount: \$20,000.00
 Hire a coordinator and implement the caucus' strategic plan, created to capitalize on the state potential for irrigation development and agricultural processing.

5/3/01 07700-78 ND Irrigation Caucus 2 Grant Amount: \$20,000.00
 To continue an effort to capitalize on ND's vast potential for irrigation development & ag processing.

Total for irrigation of value added crops is \$197,040.00

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D. J. Halgans
 Operator's Signature 10/22/03 Date

Vegetables

10/14/92 **Central Dakota Growers** Grant Amount: **\$30,000.00**
Phase 2 of a feasibility study to analysis entering the frozen potato product market.

11/15/97 **06600-05 Specialty Crop Coalition** Grant Amount: **\$10,000.00**
Ten groups representing specialty crop growers in Minnesota and North Dakota have joined forces to look at dehydration and other processing ventures in high value cropping.

4/1/98 **06600-24 HVIC Task Force VII** Grant Amount: **\$10,000.00**
Has been and is continuing to work with area farmers and processing companies to diversify the areas' agriculture base by developing high value crops on irrigable lands. Is working to establish and/or attract vegetable processing firms into the area.

5/1/98 **06600-28 Red River Valley Task Force** Grant Amount: **\$27,300.00**
A study will be utilized to further efforts in setting up additional processing base by farmer association, cooperative, or other joint venture.

5/1/99 **06600-62 Central Dakota Growers** Grant Amount: **\$38,925.00**
Conduct taste panels and develop recipes for prepared deli salads with the intent of building a salad processing plant in central North Dakota.

10/25/00 **07700-54 CVG Executive Vegetable Marketer** Grant Amount: **\$65,000.00**
Grant will assist with hiring an executive marketer for ND vegetable industry.

10/29/01 **08800-05 CVG Executive Vegetable Marketer** Grant Amount: **\$12,000.00**
Grant will pay for the marketer to bring up to date information to the CVG concerning the market for whole peeled onions to be processed in ND and sold to several different markets.

11/26/01 **08800-07 CVG Executive Vegetable Marketer** Grant Amount: **\$35,000.00**
To continue paying the vegetable marketer.

2/21/02 **08800-23 CVG Executive Vegetable Marketer** Grant Amount: **\$52,500.00**
Continuation of hiring an executive marketer from within the vegetable industry to bring markets and potential processing to North Dakota.

2/12/03 **06800-71 KidCo Farms, Inc** Grant Amount: **\$50,000.00**
Identified a process which adds value to the onions by taking the skin off the onion it can triple the value of the onion. With this potential market KidCo Farms constructed a onion "Whole Peel" facility in Kidder County.

Vegetable Total **\$330,725.00**
Irrigation Totals **\$197,040.00**
Total **\$527,765.00**

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Dennis D. Hall
Operator's Signature 10/22/03
Date

Exhibit 1

**Testimony of Maynard Helgaas, Chairman of
Commercial Vegetable Growers of North Dakota on
Senate Bill 2380**

Chairman Holmberg and members of the committee.
My name is Maynard Helgaas and I serve as the Chairman
of the Commercial Vegetable Growers of North Dakota
(CVG).

In 1999, the 56th Legislative Assembly passed HB 1281
authorizing irrigation districts to bond, through the North
Dakota Bond Bank, for capital improvements in addition to
irrigation equipment needed as a part of developing and
marketing of high value irrigated crops. That was the first
and a very important tool for the development of the
commercial vegetable industry infrastructure. Because of
the lack of historic experience and assumed risk, growers
were unable obtain bond approval for potato storage
facilities needed to take some ownership in the Cavendish
Farms potato plant. Last year, the Irrigation Caucus, the
State Water Commission, the State Bond Bank along with
our USDA office, worked out an agreement whereby
USDA could guaranty up to ninety percent (90%) of
irrigation district bonds. The USDA bond guaranty would
require a twenty percent (20%) equity by the irrigation
district. We believe, through the USDA guaranty, we now
have the tool necessary to meet the Bond Bank's risk
management concerns and will encourage outside investors
to partner with our irrigation districts in providing the
financing for storage, packaging and processing needs of
the state's vegetable industry. CVG is deeply grateful for

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Maynard Helgaas
Operator's Signature

10/22/03

Date

your foresight in passing that first piece of legislation in 1999, and the leadership provided by our state agencies and USDA this past year in adding to that legislation in making phase three of our plan possible.

With this legislation in place, and after eleven dedicated years of development, we have three processing plants and one distribution company in operation. CVG believes we have enough industry infrastructure in place to move to our third phase of our plan.

In phase three of the development plan, which is identified in our three year budget projection handouts, the focus will be the development of specific markets, plant design studies, plant expansion, storage, packaging, and processing. We will also need to provide research for product development within our vegetable groups. We do some research on the production of vegetables, but do not have funding to research new products or markets.

(Explain three year budget projection format)

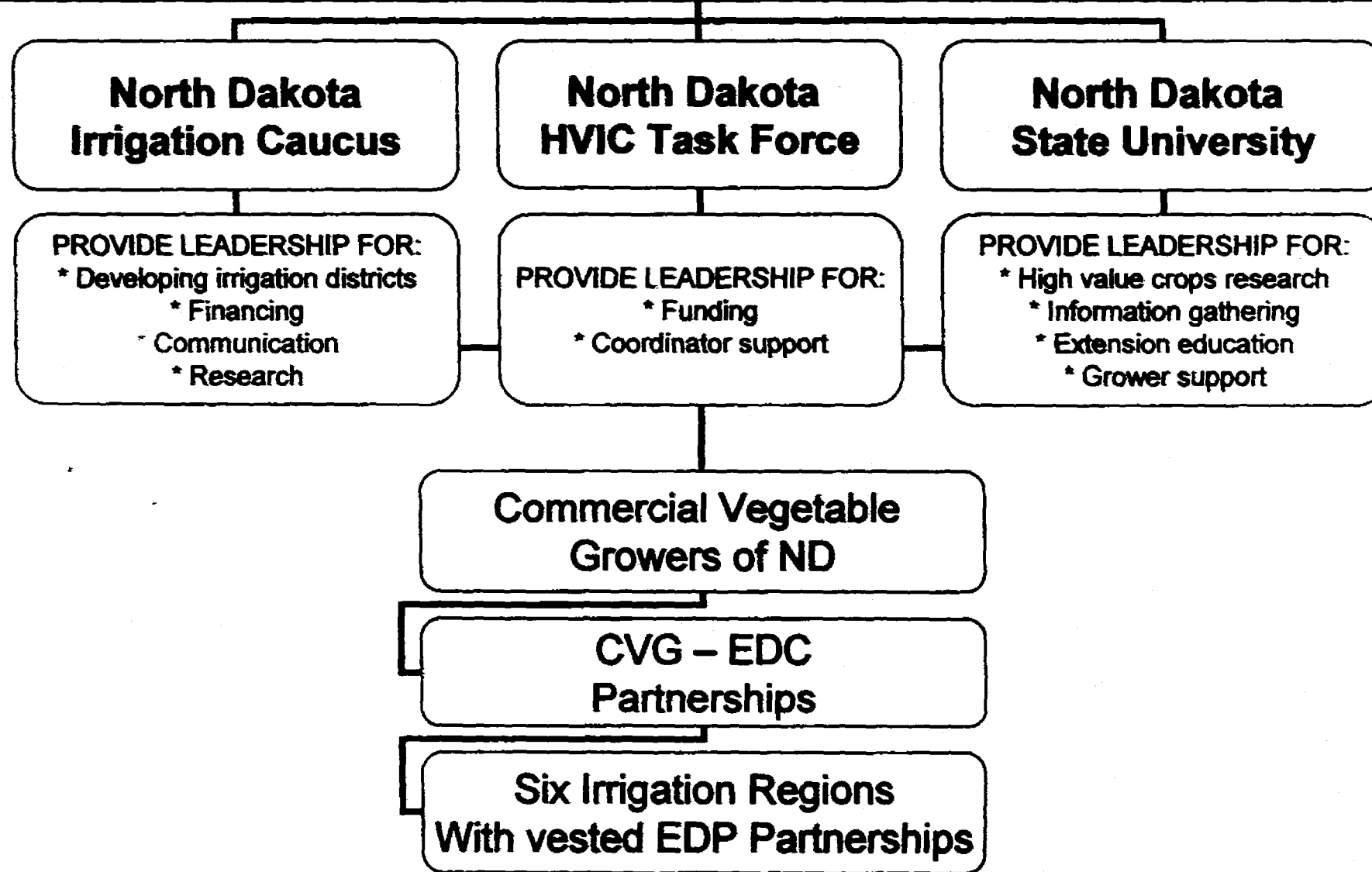
We are asking for your support for the first two years of the phase three development plan. Without state leadership and seed funding, we believe we will not be able to attract private capital for studies, research, market development and the partner equity required in securing USDA guaranties by our irrigation districts. . Please pass Senate Bill 2380. Again, CVG thanks you for all your past support.

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Deanna Dabbs
Operator's Signature

10/22/03
Date

Organization Chart North Dakota Irrigation Development



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Operator's Signature *Debra J. Schell* Date *10/22/03*

Exhibit 3

**Testimony of Steve Knorr
IMPORTANCE OF PASSING SB 2380**

1. **Currently the U.S. imports 85% of the vegetables consumed.**
2. **Markets have been Identified in the mid-west to eastern markets.**
3. **Storage is a necessity in order to supply on a six month or longer time period for in -state processors as well as outside the state.**
4. **Production and processing is being identified by other states, which will dilute current regional and east coast markets.**
5. **Rural communities are in need of economic growth in order to stop the out-migration.**
6. **Processing plants and value added field production are needed to sustain our rural areas.**
7. **Traditional vegetable production is shifting to other areas because of urbanization, limited water for irrigation, and other higher value land use.**
8. **Value added processing is moving out of metropolitan areas and moving to rural areas due to waste and water costs.**
9. **Create jobs that move agricultural products.**
10. **Keeping young people in the State.**

**Passing Senate Bill 2380 will give North Dakota a chance to succeed in bringing new business in as well as starting ND owned businesses.
Thank you for your time.**

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Steve Knorr
Operator's Signature

10/22/03
Date