FISCAL NOTE Requested by Legislative Council 01/18/2019

Amendment to: SB 2328

1 A. **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.

	2017-2019 Biennium		2019-2021	Biennium	2021-2023 Biennium		
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	
Revenues	\$0	\$0	\$0	\$0	\$0	\$0	
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0	

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

2 A. **Bill and fiscal impact summary:** Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

This bill transfers the authority of the Agricultural Products Utilization Commission from chapter 54-60.3 to title 4.1 (Agriculture).

B. **Fiscal impact sections**: Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

This bill transfers the statutory authority of the Agricultural Products Utilization Commission from the Commerce Department to the agriculture commissioner (North Dakota Department of Agriculture/NDDA).

- 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.

N/A

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.

N/A

Note: The bill limits administrative expenses for the program to 10 percent of the funds appropriated to the commission by the Legislature. NDDA will request 1 FTE for administrative support for the program in SB 2009 (agriculture commissioner's budget bill).

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.

N/A

Note: The agriculture commissioner supports the base level (17-19 biennium) authority for the Agricultural Products Utilization Commission line item in HB 1018.

Name: Junkert/Baumiller

Agency: Agriculture
Telephone: 328-2231
Date Prepared: 01/24/2019

FISCAL NOTE Requested by Legislative Council 01/18/2019

Bill/Resolution No.: SB 2328

1 A. **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.

	2017-2019 Biennium		2019-2021	Biennium	2021-2023 Biennium		
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	
Revenues	\$0	\$0	\$0	\$0	\$0	\$0	
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0	

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

2 A. **Bill and fiscal impact summary:** Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

This bill transfers the authority of the Agricultural Products Utilization Commission from chapter 54-60.3 to title 4.1 (Agriculture).

B. **Fiscal impact sections**: Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

This bill transfers the statutory authority of the Agricultural Products Utilization Commission from the Commerce Department to the agriculture commissioner (North Dakota Department of Agriculture/NDDA).

- 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.

N/A

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.

N/A

Note: The bill limits administrative expenses for the program to 10 percent of the funds appropriated to the commission by the Legislature. NDDA will request 1 FTE for administrative support for the program in SB 2009 (agriculture commissioner's budget bill).

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.

N/A

Note: The agriculture commissioner supports the base level (17-19 biennium) authority for the Agricultural Products Utilization Commission line item in HB 1018.

Name: Junkert/Baumiller

Agency: Agriculture
Telephone: 328-2231
Date Prepared: 01/24/2019

2019 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2328

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee

Roosevelt Park Room, State Capitol

SB 2328 1/28/2019 Job #31546

☐ Subcommittee

L	□ Conference Committee
Committee Clark: Amy Crone	

Explanation or reason for introduction of bill/resolution:

Relating to the agricultural products utilization commission; and to the agricultural products utilization commission; and to provide a report.

Minutes:

Att. # 1-5

Chairman Klein: Opened the hearing on SB 2328. A quorum was present.

Doug Goehrig, Agriculture Commissioner: See attachment #1 for testimony in support of the bill.

Chairman Klein: Okay we've all picked up on the typo there?

Senator Piepkorn: Who reviews and approves the projects?

Doug: There is a commission made up of different appointees, some from the Ag Commissioner, some from the governor, some are in statute and outlined where they come from specifically. I couldn't tell you if they were different individuals that have various backgrounds, I believe agriculture is probably one of those precursors. They actually review the projects, and they are the ones that actually take the vote. The project coordinator or director is the one that does all the vetting and makes sure they are compliant with the laws that are laid out in statute concerning how they are to approach if it's even an eligible project. So they would actually bring those projects to the commission. The commission then hears an oral presentation, ask questions of those that are applying for that project, and then the decision is made by the commission.

Senator Piepkorn: It makes sense that it'd be in the Ag department, does this mean that you would have more oversight and a closer knowledge of the projects being funded by APUC?

Doug: I don't believe so. I don't dispute that the program is running well. It's just we've seen a pattern and a history of it always being an afterthought. Almost like the red-headed step child.

Chairman Klein: What people forget is you are part of that committee that sits down, or a designee from your department, as you review these particular groups who come before you to ask for or present their idea. You're always on that committee are you not?

Doug: Yes, I can choose to appoint someone or I can serve myself. So I can have designees. I choose to actually participate directly and be involved with this. I think it's a great program. We do a lot of great work. I'm proud of the work that's been done and I just want to continue to see it have that opportunity. When I look back and look back at the fact that so much of this in the past was funded agriculture. A lot of farmers, rural citizens, even those that have some connection, actually, like the program. They like the opportunity to interact and really vet it. Or we get an opportunity to vet a lot of those projects and determine if really they could be something more. And we've seen a lot of things. I only gave a few demonstrations.

Chairman Klein: You spoke to 180 projects and I know there is a list, do you meet on a quarterly basis or as needed?

Doug: We pretty much try to meet in a quarterly fashion, maybe it ends up being every four months. It depends on the amount of projects that are being applied for. And with the amount of funding that we've had previously. It's kind of limited how many times we can actually meet. I would also say some discussions with the Bank of North Dakota, they've thrown a bone into towards APUC and I think it's quite nice. They would actually, with the blessing from the legislature, put in \$4 million from their capital to help fund APUC.

Chairman Klein: I know there's a ton of great ideas out there, are they somewhat screened before they get to the committee? We have someone from Wells county who often talks of the meetings he has to attend? Is it pre-sorted? Is it somewhat screened and then you just make a decision whether their good or bad?

Doug: Correct, we've probably over the years, I don't have the numbers, but the fact that I've been here ten years, we've probably had close to three hundred that have applied for those funds and looked for the support from the commission. And those are the ones that actually came to the commission. There's a lot of others that are actually weeded out. And we heard this when someone comes forward and says we tried applying for the funds but I guess we're not eligible. In those situations, the director has the ability to point them down different paths. Maybe there's programs over in Commerce that might fit for them, maybe there isn't anything concerning what they're actually asking for but in many respects they get a fair shake. They get a chance to meet the commissioners, talk about their projects, we get a chance to ask questions. And we have told many no, I would say maybe a third.

Senator Piepkorn: I am a consumer of three of the four that you mentioned. My favorite of which is Bessy's Best Milk. From down there in Sterling I think. And also excited about the Black Leg Ranch utilizing my business the event center, but also the grazing techniques and the rotational grazing implemented down there on the cattle. Good to see those too.

Chairman Klein: There has been some question on the funding source, but I believe the attorney general has backed us up and said we're in compliance with the gas tax refund? Is that what was being challenged last fall?

Doug: I don't have all the details on that. And I believe there probably is one person in this room that has a long history with APUC and its funding and how some of that has transpired over the years.

Chairman Klein: It might be me but I don't remember it all. I've been there for a lot of APUC discussions because the whole idea was to provide opportunity during those tough years when we were trying to create employment, provide something for the youth to stay. There was a lot of ideas and I think this was a result of that. Trying to provide more opportunity for us, so I guess that's. I guess we've kind of talked about in general what it does the question being why is it important to go back to your department?

Doug: I would just say it has nothing to do with how the program has been run. I think it's just a matter of watching a pattern and history here, that there's just no on championing it and quite frankly, internally I don't think its good business to have your directors stand up and oppose what the administration or what the commerce commissioner wants and needs to do concerning their budget.

Chairman Klein: So what you're saying it's easier to be elected than a member of the cabinet kind of running the show.

Doug: I think it's better if everybody has an opportunity to come forward and actually be heard.

(14:50)Dan Wogsland, Executive Director, North Dakota Grain Growers Association: See attachment #2 for testimony in support of the bill.

Chairman Klein: Have you ever had an opportunity to sit before this APUC group and listen to the discussions?

Dan: No I have not. But I do know that friends of mine have been on the board in the past and the things that they do have been tremendous. Anytime you have the opportunity to put value added into North Dakota agriculture that's good for the economy. So I applaud what they do. and they do good things

Phil Murphey, North Dakota Soybean Growers Association: testified in support of the bill. I simple have a me too. We think there's synergy to be had with bringing APUC back home to the Ag department. We're looking for good support there.

(16:25)Chairman Klein: Do you have any members, soybeans are in a lot of products, anything happening in North Dakota along that line? Or is this more your national group working on new and innovative ideas to expand the use of soybeans?

Phil: We certainly do have a lot of ideas cooking for value added. We'd love to see the fresh plant happen for instance and some good things could happen from that. We've had some market disruptions and that would help.

(17:37)John Schneider, Executive Director, Agriculture Products Utilization Commission: See attachment #3 for testimony in opposition to the bill. See attachment #4 for additional testimony submitted to the committee.

(23:44) Chairman Klein: Who sits on the board and how are they appointed?

John: It's a nine member board, five of them are appointed by the governor, two of them are the Ag commission or his designee and appointed by the Ag commissioner. The president of NDSU by legislation, and the department of commerce commissioner or a designee. And then the staff is made up of me, who I am the executive director, and then a grant administrator who does other things in commerce.

Chairman Klein: How long have you been APUC director? You've had a few titles in the department but you've done this APUC thing for a few years now?

John: I started with APUC and commerce in 2001 so I've been there going on 18 years.

Chairman Klein: Were you there when APUC got moved from the Ag commissioner's office to commerce?

John: I was not, I think as I was sitting and listening to the testimony, I think that was over 20 years ago that it was in the, because Commerce has been around for 18 years so it would be over 20 years since it was in Ag.

Chairman Klein: The reason this would be a bad idea is your suggestion because working with the department you have other doors across the hall that would help facilitate these companies moving forward with their projects because of your interactions with other agencies or offices within your department that could help these people with their financing and other ideas? I'm looking for why it really needs to stay there.

John: Yes, that is why but if I can give you a longer answer? Actually the reason we feel it should stay in commerce is because it's part of a system that we've created. So we have a business developer sitting in the room right now. He's the value added business developer. When a client comes to us, we determine the path of commercialization. It's not just about taking a program, one specific program and giving them a grant. It's about how do we make these projects successful and so it's not just within our doors at commerce its other agencies. It could be the Bank of North Dakota, it could be New Jobs Training, it could be a variety of programs. We sit down and we walk them through that continuum. APUC is a part of that and it makes the flow and it one stop yes, easier, but it also helps programs sit down and look at the long-term continuum. So that's why we feel it's a good fit and it's a good fit for companies and value added companies in the state.

Chairman Klein: So you think if your nametag said Ag commissioner's office you wouldn't have that ability to, you would be somewhat slowed up in your project development? Is that what I'm hearing?

John: I feel that it's part of a systems approach. I don't think anybody knows how it would work within the Ag department because it's before my time. I'm just saying, it works where it

is, it's part of a system and we've been successful, and so I think the feeling at commerce is we're trying to fix something that isn't broken.

Chairman Klein: And we're trying to remember how, it may have been a real successful program before, what happened happened for a variety of reason but...

Senator Burckhard: It says here that this would ensure less overhead enabling more money to get where it belongs. Then that's because? Why would it ensure less overhead?

John: What we mean by that is, currently there are no FTEs assigned to the APUC program, when we recently reorganized at Commerce, those duties got divided up. And so I'm still the executive director by I have another title there. We also but beyond that we still have a priority of APUC, and the people that are involved with it have a role. We have people at Commerce that do other grant programs, so when we added this, this was part of what they do. And so we have the accountability piece that the legislature put in place, anybody that gets \$25,000 more. We have that system put in place so that we evaluate it for three years after it gets funding. We have people that administer the grant, it's a process. So we don't assign large dollars to administration because we can absorb it within the Commerce department.

Senator Piepkorn: Looking at your budget in the back, you say the Bank of North Dakota has been a long-term partner but your funding sources are listed as the general fund, carry over funds, gas tax funds, special funds, I don't see Bank of North Dakota in there. It appears as though, is the Bank of North Dakota supplanting all these other funds, since there is not money in the general fund is this a shifting of funding resource?

John: That's exactly right. When I said our long-term partner I meant, Bank of North Dakota has been a long-term partner within commerce. They're pretty much involved in everything we do at commerce. We really tick and tock back and forth with the Bank of North Dakota. To answer more directly, on the financing yes last biennium they removed the general fund appropriation, as you know we do not get any of the gas tax, we get a very small percentage, they took that out of the funding. So we were left solely with the state mill and elevator. They left the authority and I hate to get into the weeds with this, they left the authority there but there weren't funds tied to it. So there was \$2-3 million it looked like APUC was collecting, but we've only collected \$700,000 to date.

Chairman Klein: That gas tax thing, I mean there's not many gas tractors out there anymore and we saw that coming some years ago as we were working on the counter cyclical issue with the ethanol folks. The FTE issue at the department? You've taken quite a hit when the state's revenues and resources declined a bit. You want to just mention? You've picked up some of the slack? How many FTEs are you down in the last two sessions?

John: I cannot answer that question directly. One of the things we did was we reorganized and shifted resources. We looked at a reshifting and prioritizing within commerce I know our numbers are down and I'm looking in the crowd to see....

Chairman Klein: Well if I remember at one of the budget section meetings we had like ten employees that took an early buyout. Were those replaced or did you not need to replace them? Are you just running things more streamlined?

John: Some of those employees have been replaced doing different functions, reprioritizing so they're in a different area. But the exact number, currently, we had 66 appropriated in 2017-19 for the 19-21 executive budget there's 60.8.

(34:33)Mason Sisk, Economic Development Association of North Dakota: see attachment #5 for testimony in opposition to the bill.

Chairman Klein: So your thoughts are the Ag commissioner's office is run inefficiently and ineffectively? Cause being effective and efficient run in this department, we know the Ag commissioner runs many many programs effectively and efficiently, why wouldn't he run this one the same?

Mason: I don't mean to say that it would be inefficiently run, it just more goes back to fixing something that isn't broken. Because its already being run efficiently. I didn't mean to apply that it wouldn't be run efficiently in the Ag department.

Chairman Klein: You wouldn't imply then that we'd be losing opportunities that the Ag commissioner would be allowing opportunities to slip through because of his inefficient and ineffective work cause that's another line, lost opportunities for producers?

Mason: Right and I'm more referring to other opportunities and programs within the department of commerce that they can then take advantage of, just become it might be moved to the Ag department doesn't mean they can't go use those other programs in commerce, it just having a one stop shop for all of these economic development programs, like we heard in previous testimony. They run them through a system, they've got a strategy that allows them to look at every program or opportunity and kind of moving it to another department might make it more difficult.

Chairman Klein: We also heard from only two of the producer groups that it would be a wise move, to move it to the Ag department so we have to weigh those issues back and forth here. How would we explain to them that it wouldn't be a wise move, now that they've heard all the testimony so they'd help support us on a motion to keep it where it is?

Mason: I think from EDND's perspective, department of commerce has been a really valuable partner and it's just been something that shouldn't need to be fixed. Just keeping all these economic development programs in one department allows businesses the opportunity for utilizing those programs.

(38:50)Chairman Klein: Closed the hearing on SB 2328.

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee

Roosevelt Park Room, State Capitol

SB 2328 2/12/2019 Job #32590

☐ Subcommittee☐ Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to the agricultural products utilization commission; and to the agricultural products utilization commission; and to provide a report.

Minutes:

Chairman Klein: Opened the committee work session on SB 2328. All members were present. From what I've been able to tell, there are a lot of warm and fuzzies about moving APUC back to the Dept. of Ag but not so much about the trade office. So we will just have you guys tell us a bit about each of these again and then we'll go from there.

Tom Bodine, Deputy Commissioner, Dept. of Agriculture: One of the things that was going into talking about APUC and trade was right before our budget, when we were going through budgets, we looked at the programs the commissioner has the pleasure to serve as a member of, both on APUC and the North Dakota Trade Office. Over the last couple years. how these programs have benefitted North Dakota, especially investing in those two areas; successful programs that the commissioner looked at the support of the recommended budget coming out of commerce. Which it looked at quite a bit of increase but in these two particular programs, there was not as much request or staying at the baseline. The commissioner feels strongly in continuing to invest in these programs and that's one of the reasons why he asked to move them. And at the time, all agencies are going through and last legislative session, it was one of those where all of us had to make tough choices, one thing about the Ag department, we've had a good history of looking at continuing to support groups outside the department, we made a lot of cuts internally but we continued to fund those. When it came to the Trade office, it was cut last session and going into this one we looked at another 20% cut in revenue going towards that public private partnership and supporting those efforts, especially when it comes to trade. The commissioner has run on trade, he serves different committees but he also understands that the trade office has a huge part in investing and continuing to move products out of the state. So that was a lot of the reasons why.

Senator Roers: Is there other things other than agriculture products that are in this bill? That you're looking at moving under your care, custody, and control?

Tom: With this bill it just talks about the dollars that are in support to go to the trade office.

Chairman Klein: Let's stay on 2328, APUC. We'll do it one at a time.

Tom: APUC, that would be moving that particular program from Commerce over to the North Dakota Department of Agriculture to administer.

Chairman Klein: APUC deals with what?

Tom: A number of things, growing businesses in North Dakota. I've had the pleasure to serve for the commissioner before, looked at doing business plans, looking at a feed lot, a sales barn. They asked for dollars to look at the economic study to see the feasibility of bringing in a business to the particular area.

Chairman Klein: The words agriculture in the title would suggest that's what APUC does?

Tom: Yes.

Vice Chairman Vedaa: Can you give us an example of anything within APUC that doesn't have to do with agriculture?

Tom: For the most part everything falls under agriculture and growing manufacturing as well as businesses when it pertains to agriculture.

Chairman Klein: Just for everyone's sake that wasn't there, in defense the Commerce department spoke about they're one door at Commerce that works with APUC and then they have numerous doors in the hallway that they can share these business opportunities with more of what they believe as a flow, when someone comes with an idea. And how would the Ag. Department respond to that?

Tom: Good question. For example, we do run the Pride of Dakota program, which we have over 500 businesses in the state that do some type of manufacturing. When it gets to a certain level, we still have the opportunity to work with other agencies especially when it comes to primary sector. So even though we would administer programs, when it comes to certain levels we work with the tax department, commerce department to look at different opportunity or programs the state offers so that wouldn't change. That relationship would still occur between agencies. And that's only a good thing for us, because we don't want, especially in a particular area, we would want to utilize all the areas of the state. So even if commerce has it, I've been on trip to try to recruit a company in North Dakota. So from there it was the tax department, Bank of North Dakota, Commerce and Ag department. All of us are on those efforts jointly to be able to recruit businesses into North Dakota.

James Leiman, Director of Economic Development and Finance, Workforce, North Dakota Department of Commerce: I spoke with the Ag Commissioner after the last time we testified here, and we will be working on some joint initiatives with respect to how we manage the Trade Office and our trade missions. Second, Tom and I have actually gone on a trip together. So there is validity there. There is a nexus naturally between Ag, value added ag, energy, as well as the Ag department, and Commerce. There are a number of efficiencies that

we can discover, agency to agency, that said although it looks like we didn't put anything in the budget for APUC we did plan out funds with Bank of North Dakota prior to that to where we came to a \$4 million number. So it's not that we felt like we were neglecting the number, it was just coming from a different source and we were waiting for certain data to come to fruition before we took advantage of that. Just wanted to reiterate why we feel like it should stay with Commerce, when you look at Commerce there are three main themes: we're community builders, we're workforce developers, and we're economic developers. This transcends larger communities like Minot, Grand Forks, and Fargo, but also Fessenden and Velva. When I was a small town city administrator, I needed that cohesive protection, granted I live on the East side of the Red River so it would've been Minnesota. But if they had not come to us as a collective team and a cohesive team with all this programmatic activity, we couldn't realize the full efficiencies nor programs that were offered by the state. We feel like with Commerce, it's like a car, and if you don't have all the moving pieces and parts and you strip a tire, suddenly that care isn't going to move as effectively or efficiently. We see APUC in itself as one of those tools, for 20 years, we've effectively administered it. We've passed every audit; we've done it with fewer than one FTE because we have a collective value added agriculture staff that's actively engaged as well as the nexus areas that I mentioned earlier. But more importantly, APUC does fund programs, in Velva for example, there's a company called Black Butte Adventures which is a tourism company, that took advantage of that program; or Minot and within Minot, we funded a study for intermodal, and frankly working with the DOT, we're getting ready to do another study on the north end so we can really truly realize that full capacity and we want APUC to continue to be a part of that transportation initiative. In Fargo, we look at Ag tech initiatives or even the precision ag nexus in Grand Forks with UAS. So whether it's a small town here, or a larger community, APUC has its influence in areas such as tourism, value added ag, and for our exports to be the most competitive, I know we're talking about APUC as well as what we produce here in the state, we are of the belief that that continuum of services needs to stay in Commerce to ensure that it maintains that outward facing tourism, agriculture, like I said there's that nexus with energy, we paid for a study for carbon capture, in order to facilitate a greenhouse, so there's a little bit more to APUC than agriculture, I know it's in the name and I know 20 years ago it was there and we respect what the agricultural department does, again we work very closely with them, we also appreciate the leadership of Commissioner Goehring, but fundamentally speaking, we think for it to achieve its maximum efficiency and effectiveness, over that 20 year period it's been demonstrated at Commerce, we feel like it should stay there..

Chairman Klein: Closed the committee work session on SB 2328.

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee

Roosevelt Park Room, State Capitol

SB 2328 2/12/2019 Job #32611

☐ Subcommittee☐ Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to the agricultural products utilization commission; and to the agricultural products utilization commission; and to provide a report.

Minutes:

Chairman Klein: Opened the committee work session on SB 2328. All members were present.

Chairman Klein: So this morning once again we had people tell us about moving APUC back under the jurisdiction of the Ag commissioner.

Vice Chairman Vedaa: Do Pass.

Senator Kreun: Seconded.

Chairman Klein: any discussion?

Senator Piepkorn: I just think both can reside in the commerce department. I think the inline of contention was a reduction of that baseline which to me was resolved in testimony and it seems like they go hand in hand. I don't know all the duties of the Ag commissioner; I know he's got a lot on his plate. And I think the way agriculture is proceeding and its importance in trade and it sounds like they're working together. And this new guy James is making some trips with the Ag department. And I think it's just good where it is.

Chairman Klein: I think that's on the trade side and let's focus on the APUC side here.

Senator Piepkorn: Well regardless I think they both can reside in the commerce department.

Chairman Klein: I've said numerous times that I believe it's well suited for the Ag commissioner.

A Roll Call Vote Was Taken: 4 yeas, 2 nays, 0 absent.

Motion Carried.

Vice Chairman Vedaa will carry the bill.

D	ate: _	2	/12
Roll Call Vote #	:	. 1	

Senate Industry	, Business and Lab	or			Com	mittee
		□ Sul	bcomm	ittee		
Amendment LC# or	Description:					
Recommendation: Other Actions:	☐ Adopt Amendr ☐ Do Pass ☐ ☐ As Amended ☐ Place on Cons ☐ Reconsider	Do Not		☐ Without Committee Re☐ Rerefer to Appropriation	ons	
Motion Made By _	Vedaa		Se	conded By KW	MN	
Sen	ators	Yes	No	Senators	Yes	No
Chairman Klein		X		Senator Piepkorn		X
Vice Chairman V	edaa	X				
Senator Burckha	rd	×				
Senator Kreun		X				
Senator Roers			X			
Total (Yes) _ Absent	0		No	2		
Floor Assignment	\ledox	`\				

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

Module ID: s_stcomrep_28_002

Carrier: Vedaa

REPORT OF STANDING COMMITTEE
SB 2328: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends
DO PASS (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2328 was placed
on the Eleventh order on the calendar.

2019 HOUSE AGRICULTURE

SB 2328

2019 HOUSE STANDING COMMITTEE MINUTES

Agriculture Committee

Peace Garden Room, State Capitol

SB 2328 3/15/2019 Job #33827

☐ Subcommittee☐ Conference Committee

Committee Clerk: ReMae Kuehn	
Explanation or reason for introduction of bill/resolution:	
Relating to the agricultural products utilization commission; and to provide a report	

Attachment #1-3

Senator Luick, Sponsor: This bill moves APUC to the Agriculture Commissioner's office.

Doug Goehring, North Dakota Agriculture Commissioner: (Attachment #1)

(6:48)

Minutes:

Representative Skroch: You said APUC was once under the Agriculture Department and was removed. Where did it go to?

Doug Goehring: It was moved to Economic Development and Finance and then the Department of Commerce in 1997-1999.

Representative McWilliams: On page 2 under agricultural products, members of the commission will receive \$135 per day for serving. The chair receives an additional \$100 per day. Is that \$235 per day for the chair?

Doug Goehring: I would have to check into that. The chair resides in Williston and has done a fantastic job of running the commission.

Representative McWilliams: Is that current law?

Doug Goehring: That is current law. This bill is just moving it from commerce to the agriculture department. The Bank of North Dakota has also pledged \$4 million to help fund APUC because the gas tax refund has dropped. There was a decision within commerce last legislative session to use up all of their reserves. Now there is only \$600,000 for the next biennium. At one time they had \$5 million to \$7 million that they used in a biennium to fund projects.

Representative Schreiber-Beck: Would there be any interconnections or collaboration with commerce?

House Agriculture Committee SB 2328 March 15, 2019 Page 2

Doug Goehring: We will still work together. There may be projects that are not eligible and would be steered over to commerce.

Dan Wogsland, Executive Director, North Dakota Grain Growers Association: Support this move.

Scott Rising, North Dakota Soybean Growers Association: We support. Value added agriculture is important.

Opposition:

John Schneider, Executive Director of APUC, Department of Commerce: (Attachment #2)

(18:40)

Representative Skroch: How much interaction has there been between Commerce and the Department of Agriculture?

John Schneider: We have worked closely. They are a good partner. We toured the greenhouse facility. We tried to recruit an egg producer. We rely on their expertise a lot.

Representative Skroch: Would it be a close partnership?

John Schneider: The Agriculture Commission sits on the board. We respect his knowledge.

Vice Chair Wayne Trottier: Would you continue to support the program if it was in the Agriculture Department?

John Schneider: The genesis of the program is to support value-added agriculture. We would want to maintain the relationship.

Representative Headland: Explain the APUC funding in the current commerce budget with a reduction from the past. Was that done by the legislature?

John Schneider: The APUC program reduction is because last session the budget general funding was removed, but not the authority. We no longer receive gas tax collections or general fund appropriations. Going into this budget we removed the authority since we were only collecting \$600 to \$800,000 from the State Mill and Elevator. That is our only source of revenue.

Representative Headland: How effective can APUC be?

Representative Tveit: Lines 27-29 of page 2, is that in current law who gets \$135/day?

John Schneider: They are a stand-alone agency. Five are appointed by the Governor, three must be actively engaged in agriculture. Two must be in value-added agriculture

House Agriculture Committee SB 2328 March 15, 2019 Page 3

business. Also the Agriculture Commissioner, the Commerce Commissioner, and the President of NDSU. Just the private citizens on the board receive compensation.

The funding has been difficult because it came from different buckets. I changed the process 17 years ago. This is a reimbursable grant. The fiscal agent reimburses as the project goes along. We hold the second half of the grant until projects are finished. The large carryover is committed funds.

Mason Sisk, Economic Development Association of North Dakota: (Attachment #3)

(29:33)

Chairman Dennis Johnson: What are the lost opportunities?

Mason Sisk: Keeping all economic development tools in the same program makes it more likely to not have missed opportunities.

Representative Skroch: One of the problems is shortage of funding?

Mason Sisk: We want to advocate for the funding.

Representative Skroch: What do you consider the maximum level?

Mason Sisk: That would be for the Department of Commerce to answer.

John Schneider: In the past we received \$3.8 to 6.8 million of requests. When agriculture prices go down, people are looking for opportunities for value added.

Representative Richter: Did you include funding in your budget?

John Schneider: The funding is representative of the Governor's budget which is the \$600,000. We don't know what the elevator will provide.

Vice Chair Wayne Trottier: It appears the legislature is cutting Research and Development programs?

John Schneider: That is correct. We feel it was a mistake. When we have down turns, that is when these programs are even more important.

Representative Richter: Why didn't you request restoration in this year's budget?

John Schneider: We felt at the time the funding level was appropriate.

Representative Headland: Isn't the requested budget for Commerce way up from previous sessions?

John Schneider: The Commerce budget has increased from last year.

Representative Headland: Are we to assume that APUC is not a priority for Commerce?

House Agriculture Committee SB 2328 March 15, 2019 Page 4

John Schneider: Commerce has never said it is not a priority. As an agency we are asked to cut budgets. Choices are made.

Representative Headland: Was the \$4 million from the bank a request from Commerce or was that a request from the Agriculture Department after this bill was put in?

John Schneider: The \$4 million isn't a number we asked for. We asked the bank 3 to 4 months ago if there was a possibility of putting dollars into APUC.

Jace Beehler, Governor's Office: To clarify the Commerce budget, there is about a \$112 million increase. But \$109.6 million of that is one-time. The ongoing increase is about \$2 million within the department. The ongoing funding is what we look at.

Representative McWilliams: (Speaking to John Schneider) You have never said it is not a priority. That is like saying it is not a priority.

John Schneider: We have always said APUC is a priority because it is early funding.

Jace Beehler: With the Department of Commerce, we agree that this is an important program to support agriculture. We are in opposition to the bill because the Department of Commerce is set up with many programs that look at the economy across all areas.

Chairman Dennis Johnson: APUC started in the Agriculture Department to help the agriculture industry.

Chairman Dennis Johnson: Closed the hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Agriculture Committee

Peace Garden Room, State Capitol

SB 2328—Committee Work 3/22/2019 Job #34184

☐ Subcommittee □ Conference Committee Committee Clerk: ReMae Kuehn **Explanation or reason for introduction of bill/resolution:** Relating to the agricultural products utilization commission; and to provide a report Minutes: Attachment #1 Chairman Dennis Johnson: Handed out colored version showing proposed amendments. (Attachment #1) The amendments give the positions the Agriculture Commissioner could appoint to this group. It gives the members that the Governor can appoint to this group. The last one on page 2, line 18 puts the operation back in the Agriculture Commissioner's office instead of him going to the Commerce Department for meetings. **Representative Fisher:** When you come with an agricultural concept that takes financing, the Commerce Department would suggest that is a great relationship because they are the place to go for the next level with more financing. **Chairman Dennis Johnson:** I was here when this started in the Agriculture Department. I remember how busy they were with requests. There is not a lot going on any more. It doesn't seem like there is the desire. **Representative Fisher:** If they are both underfunded and understaffed, how does it help? Representative Tveit: I agree. Representative Headland: Moved the amendment Representative Schreiber-Beck: Seconded the motion A Roll Call vote was taken: Yes _7_, No _5__, Absent __2_.

Proposed amendment is adopted.

House Agriculture Committee SB 2328—Committee Work March 22, 2019 Page 2

Representative Schreiber-Beck: The Department of Commerce is under the Governor's purview. The Department of Agriculture is an elected position with influence from the Governor. The Department of Commerce will still serve on APUC. The Commerce Department is limited by the Governor's budget. This frees up the opportunity for APUC.

Representative Satrom: Moved Do Pass as amended.

Representative Blum: Seconded the motion

A Roll Call vote was taken: Yes 11, No 1, Absent 2.

Representative Richter will carry the bill.

March 22, 2019

PROPOSED AMENDMENTS TO SENATE BILL NO. 2328

Page 1, line 11, replace "governor" with "agriculture commissioner"

Page 1, line 12, replace "Three" with "Four"

Page 1, line 13, replace "governor" with "agriculture commissioner"

Page 1, line 13, replace "two members" with "one member"

Page 1, line 14, replace "governor" with "agriculture commissioner"

Page 1, line 14, remove "agriculture"

Page 1, line 15, replace "commissioner" with "governor"

Page 1, line 16, replace "commissioner" with "governor"

Page 1, line 16, replace "farming" with "business"

Page 2, line 18, replace "commission may secure" with "commissioner shall provide"

Renumber accordingly

Date: 3/22/2019

Roll Call Vote #:	1
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2019 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. SB 2328

House Agriculture				Com	mitte
	□ Su	bcomm	nittee		
Amendment LC# or Description:					
Recommendation ☐ Adopt Amend ☐ Do Pass ☐ As Amended ☐ Place on Cor	□ Do No I		☐ Without Committee Rec☐ Rerefer to Appropriation		dation
Other Actions: Reconsider					
Motion Made By Rep. Headland	Vac		econded By Rep. Schreiber		No
Representatives Chairman Dennis Johnson	Yes	No	Representatives Rep. Ruth Buffalo	Yes	No
Vice Chairman Wayne Trottier	AB		Rep. Gretchen Dobervich	X	
Rep. Jake Blum	\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	Х	Rep. Gretchen Dobervich		
Rep. Jay Fisher	_	X		_	
Rep. Craig Headland	X	- / (+	
Rep. Dwight Kiefert	X			-	
Rep. Aaron McWilliams	AB				
Rep. David Richter	Х				
Rep. Bernie Satrom		X			
Rep. Cynthia Schreiber Beck	X				
Rep. Kathy Skroch		Х			
Rep. Bill Tveit		Χ			
Γotal Yes 7		N	o 5		
Absent 2					
Floor Assignment					

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

This amendment changes who appoints the Agriculture Products Utilization Commission members.

Date: 3/22/2019

Roll Call	Vote #:	2	
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2019 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. ____SB 2328_____

House	Agric	ulture	lture				
			□ Su	bcomm	ittee		
Amendm	ent LC# or	Description: 19.1	130.010	01			
Recomm	nendation	☐ Adopt Amend☑ Do Pass☑ As Amended☐ Place on Con☐ Reconsider	□ Do No		□ Without Committee Rec□ Rerefer to Appropriation□		lation
Motion N		Rep. Satrom			econded By Rep. Blum		
Ol :		entatives	Yes	No	Representatives	Yes	No
Chairman Dennis Johnson			X AB	_	Rep. Ruth Buffalo Rep. Gretchen Dobervich	X	-
Vice Chairman Wayne Trottier Rep. Jake Blum			X		Rep. Gretchen Dobervich		
	ay Fisher		X	-		_	
	raig Head	land	X			_	_
	wight Kief		X				
			AB			_	
Rep. Aaron McWilliams Rep. David Richter			X			_	
	ernie Satr		X				
Rep. Cynthia Schreiber Beck			X				
Rep. Kathy Skroch				Х			
Rep. B			Х				VIII.
Total Absent	Yes	11		N	0 1		
Floor As	signment	Rep. Richter					

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

Module ID: h_stcomrep_52_002
Carrier: Richter

Insert LC: 19.1130.01001 Title: 02000

REPORT OF STANDING COMMITTEE

SB 2328: Agriculture Committee (Rep. D. Johnson, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (11 YEAS, 1 NAYS, 2 ABSENT AND NOT VOTING). SB 2328 was placed on the Sixth order on the calendar.

Page 1, line 11, replace "governor" with "agriculture commissioner"

Page 1, line 12, replace "Three" with "Four"

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Page 1, line 16, replace "farming" with "business"

Page 2, line 18, replace "commission may secure" with "commissioner shall provide"

Renumber accordingly

2019 TESTIMONY

SB 2328

COMMISSIONER DOUG GOEHRING



SB2328 1/28/19 AH#1 p1 ndda@nd.gov

ndda@nd.gov www.nd.gov/ndda

Testimony of Doug Goehring, Agriculture Commissioner North Dakota Department of Agriculture Senate Bill 2328 Senate Industry, Business and Labor Roosevelt Park Room January 24, 2019

Chairman Klein and members of the Senate Industry, Business, and Labor Committee, I am Agriculture Commissioner Doug Goehring. Thank you for the opportunity to appear before the committee. I am here today in support of Senate Bill 2328.

The Agricultural Products Utilization Commission is a cost share grant program that is used to help advance concepts and products from a developmental to a commercial state.

APUC helps with basic and applied research, prototype development, technical assistance, feasibility studies, marketing and utilization, farm diversification and agri-tourism. The program has had a history of being funded from gas tax refunds that farmers applied for at the end of the year, 5% of the State Mill and Elevator's profits and a general fund appropriation.

In my tenure on APUC we have helped advance well over 190 projects with great success. We've helped Bessie's best add value to their cheese, milk and yogurt by helping them with some equipment purchases to comply with the food safety regulations and assisting them in direct marketing to the consumer. APUC has helped the Black Leg Ranch convert a part of their place into a hunting/wedding/event center which is an agri-tourism based family business, assisted Baker Boy Bakeshop out of Dickinson to launch a new product in the regional and national market, and supported the development and marketing of the "Fresh Cab" products.

SB2328 1/28/19 Att #1 p2.

APUC has also helped fund feasibility studies on renewable energy projects along with straw utilization facilities for construction materials as well as biodegradable plates, cups and silverware, greenhouse projects, and an aquaculture project in Bottineau.

My decision to request the transfer of funding for this program was based on a lack of support within the Department of Commerce. Commerce's recommended budget has almost \$112 million increase with several new programs being added, and yet, there are recommended cuts to the Trade Office and the Ag Products Utilization Commission. Over the last few legislative sessions, APUC was treated as an afterthought with division budgets being balanced at the expense of these programs and I am disheartened about this continued approach. APUC once was in the agriculture department and was removed for various reasons.

Chairman Klein and committee members, I ask for your support of SB 2329 and would be happy to take any questions.



You Raise. We Represent. www.ndgga.com

North Dakota Grain Growers Association Testimony on SB 2328 Senate Industry, Business and Labor Committee January 28, 2019

Chairman Klein, members of the Senate Industry, Business and Labor Committee, for the record my name is Dan Wogsland, Executive Director of the North Dakota Grain Growers Association (NDGGA). Through our contracts with the North Dakota Wheat Commission and the North Dakota Barley Council NDGGA engages in domestic policy issues on the state and federal levels on behalf of North Dakota wheat and barley farmers. I appear before you today on behalf of NDGGA in support of SB 2328.

Chairman Klein, members of the Senate Industry, Business and Labor Committee, since its inception the Agricultural Products Utilization Commission (APUC) has been in the front lines of North Dakota agricultural promotion for the state's agricultural industry. APUC time and again has "stepped to the plate" to provide North Dakota agriculture the seed money necessary to aid in getting value-added agriculture "off the ground" in the state which has enhanced the overall agricultural economy. The question before you today is where is this vital governmental function best housed for the benefit of the state. SB 2329 answers that question by placing APUC under the auspices of the North Dakota Department of Agriculture

The promotion of North Dakota agricultural products has been a focus of the North Dakota Department of Agriculture for a long time. The Pride of Dakota program is but one example of how the North Dakota Department of Agriculture is on the front lines of ag promotion in the state and beyond. SB 2328 takes the right step forward in furthering the Department's ability to promote value-added agriculture in the state.

Therefore the North Dakota Grain Growers Association respectfully requests the Senate Industry, Business and Labor Committee give SB 2328 a Do Pass recommendation.

SB2328 1/28/19 AH #3

Department of Commerce testimony on SB2328 January 28th2019

Senate Industry Business and Labor Senator Klein, Chairman

Chairman Klein, and members of the Senate Industry Business and Labor Committee, for the record my name is John Schneider I'm the Executive Director of the Agricultural Products Utilization Commission (APUC), and I have been working with APUC for eighteen years, and in the economic development field for twenty-five years.

The Department of Commerce opposes SB2328 for three primary reasons which I will explain in detail:

- The program is an essential part of a systems approach to the Department of Commerce's' approach to economic development.
- The program has not been de-prioritized
- The program has been successful as situated in the Department of Commerce

I will start with some **history and background** - the Agricultural Products Utilization Commission (APUC) was established in 1979. It has been, and can continue to be, the primary program in North Dakota dedicated to diversifying the State's economy through value-added agriculture. APUC is usually the first or only resource a company can access when researching opportunities to create new or expanded uses for all North Dakota agricultural products. APUC administers seven unique grant programs and special sponsorships. The grant programs encompass basic and applied research, farm diversification, marketing and utilization, prototype development, technology, technical assistance, and nature based agri-tourism.

The North Dakota Department of Commerce has developed a systems approach to project development. The Department of Commerce, and its partner organizations, have a broad and integrated approach to achieve maximum impact with this program. Through APUC, the Department of Commerce has enabled top notch success without any funding designated for program management. Because of our structure, we are able to maximize program dollars to ensure less overhead enabling, more money to get where it belongs, with our farmers, ranchers and innovators making value added agriculture products. In the last eight years alone APUC has provided just over \$9 Million in grants to 193 companies leveraging \$28 million in private sector matching dollars.

The program has not been de-prioritized. North Dakota is blessed with an amazing agricultural sector and has always been a topic priority in all of our programming. Funding for APUC over the last four biennia has been remarkably consistent. [See attachment.] The executive budget request and the legislative appropriation have been within 5% of each other. The funding request for the upcoming biennia is lower so Commerce sought funding from non-traditional sources to augment. One of our long-term partners, BND, has committed to an infusion of \$4 million for the upcoming biennia.

SB2328 1/28/19 AH#3

Over the last 15 years the program has never had any financial audit findings, and as a matter of fact, has been used as a model for similar programs within the State. Commerce is of the belief that moving this program to a regulatory agency may hamper economic growth and development prospects and as a result, recommends that the program remain within Commerce. We have dozens, if not hundreds of examples of success as this program is well delivered; in addition, the Commissioner of Agriculture sits on the board and can continue to deliver unique subject matter expertise while reducing the propensity to disrupt the program through additional regulatory requirements and administrative overhead burdens.

The program is successful as part of this system. As mentioned, APUC isn't just a grant program it's part of a continuum of project development. Business developers within the Economic Development & Finance (ED&F) division lead projects through a continuum of funding and development. From concept to commercialization projects are guided through this process by Commerce staff. APUC plays an important role in this continuum, providing funding not only in the concept stage with funding for feasibility but also as a project develops and grows with funding for market expansion. Success stories include:

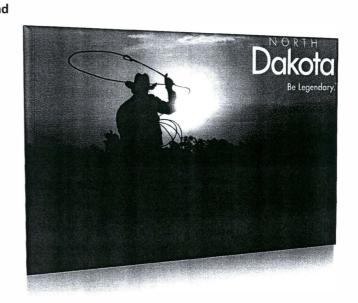
- **Houweling Tomatoes in Underwood** used funds for feasibility and design of a 28-acre greenhouse co-located within Coal Creek Station Energy Park. Funds will also be used to explore market opportunities for the potential greenhouse products. The project will impact the agricultural industry in ND by adding fresh produce grown in the state and allowing farm diversification opportunities.
- Myriad Mobile, LLC Fargo used funds to market the industry's first automated mobile app (Bushel) that connects elevators to growers. The initial version of Bushel was piloted with ND based elevator network The Arthur Companies serving 350 growers in eight locations and now has grown to 12 elevator clients in the Midwest and counting.
- Baker Boy Bake Shop, Inc Dickinson used funds to market a new "Filled Ring Donut" line. The product which receives 100% of its flour from the State Mill and Elevator will be marketed through its 18-state network of salespeople, distributors, brokers and operators.
- Stone Mill Richardton Funds used for project marketing, promotion and automation on their newly expanded product line of traditional, certified organic, and kosher grains. The expanded facility will be certified gluten-free, which is in high demand by U.S Food manufactures and will create marketing opportunities that were limited in the past.

Most of the above projects received additional assistance through other Commerce programs such as the ND Development Fund and may have received assistance from our partners at the Bank of ND and Job Service, as well as, tax incentives. As the companies develop and mature Commerce's business developers work with them assisting them to find other available resources and providing technical assistance as they move through the process.

In closing, APUC is an important program, and more effectively accomplished where it is currently situated in the Department of Commerce. Mr. Chairman this completes my testimony I would be happy to answer any questions you or the committee may have.

APUC Program Information

Year	Total Grant Budget	Amt. from General Fund		
		Available for Grants		
11-13	\$2,937,968	\$1,313,704		
13-15	\$4,690,636	\$794,044		
15-17	\$4,993,512	\$810,200		
17-19	\$5,302,739	\$0		
Total:	\$17,924,855	\$2,917,948		



Funding sources are: General Fund, Carryover Funds, Gas Tax Fund—Special Funds, 5% State Mill & Elevator Profit—Special Funds, Special Funds—Carryover, Federal Funds

APUC's Mission: Agricultural Products Utilization Commission (APUC) creates new wealth and employment oppor-

	~ oza nuri	Der of requests	Total Project Cost Ri	udiet	~ otal funded by Ag	JC AMERIE TECHES TON DIETRIUM
2011-2013	62	46	\$9,475,253.00	\$2,604,403.00	\$1,857,957.00	\$40,390.00
2013-2015	77	67	\$9,174,258.00	\$3,980,625.00	\$3,022,077.00	\$46,106.00
2015-2017	70	46	\$10,740,885.00	\$5,276,098.00	\$2,682,080.00	\$58,306.00
2017-2019	57	34	\$7,289,200.00	\$4,485,497.00	\$1,443,763.00	\$42,464.00
TOTAL	266	193	\$36,679,596.00	\$16,346,623.00	\$9,005,877.00	\$46,662.58





AGRICULTURAL PRODUCTS UTILIZATION COMMISSION

GRANT REPORT 2017-2018



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APUC COMMISSIONERS



DAN KALIL, CHAIRMAN Governor's Appointee



BILL ONGSTAD
Commissioner's Appointee



MATTHEW GLESSNER Governor's Appointee



SHAWN KESSEL Interim Commerce Commisioner



RACHEL RETTERATH
Governor's Appointee



DENNIS MING Governor's Appointee



DEAN BRESCIANI NDSU President



DOUG GOEHRING
Agriculture Commissioner

ADMINISTRATION

SB 2328 1/28/19 Att. #4

The North Dakota Agricultural Products Utilization Commission (APUC) consists of nine members. The governor appoints five members to two-year terms. Three of these appointees must be actively engaged in farming and two must be actively engaged in business. The Commissioner of Agriculture appoints one member to a two-year term. This member must also be actively involved in farming. All terms begin July 1.

The board also includes three statutory members or their designees:

JOHN F. SCHNEIDER, EXECUTIVE DIRECTOR

Economic Development and Finance Division, North Dakota Department of Commerce

DEAN BRESCIANI, PRESIDENTNorth Dakota State University

DOUG GOEHRING, COMMISSIONERNorth Dakota Department of Agriculture

APUC STAFF



KERRI KRAFT
Program Specialist



JOHN F. SCHNEIDER Executive Director



KEITH PELTIER
Governor's Appointee



KEVIN SONSALLA Economic Development & Finance Proxy

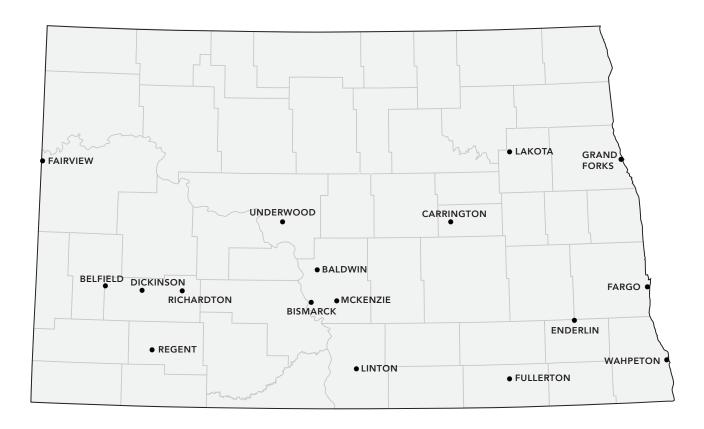


JOLEEN LEIER
Executive Assistant



SB 2328 1/28/19 Att. #4

BETWEEN DECEMBER 2017 AND DECEMBER 2018, APUC FUNDED 28 PROJECTS IN 17 NORTH DAKOTA COMMUNITIES, TOTALING OVER \$1.3 MILLION IN GRANTS AND SPONSORSHIPS.

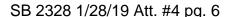


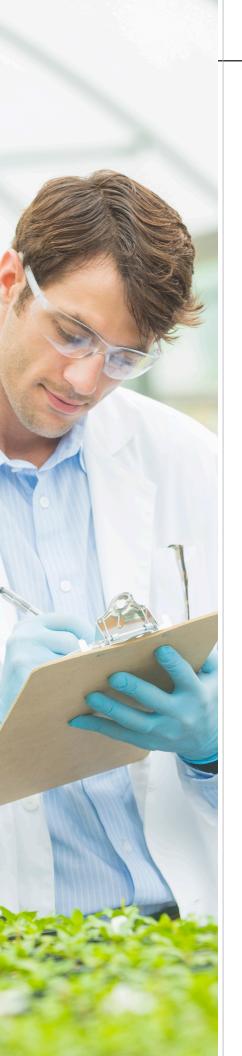
APUC is an office within Economic Development and Finance, a division of the North Dakota Department of Commerce.

- Baldwin Dakota EcoBeef LLP
- Bismarck Pulse USA
- Fargo NDSU Center for Social Research, Dept. 2362
- Fargo Elinor Specialty Coatings, LLC
- Fargo NDSU Dept. of Coatings and Polymeric Materials, Dept. 2760
- Fargo NDSU Dept. of Microbiologial Sciences, Dept. 7690
- Wahpeton M Squared Genetics, LLC
- Grand Forks University of North Dakota

- Fargo NDSU Coatings and Polymeric Materials
- Carrington Farm Diversification
- Belfield Ridl's Country Fixins, LLC
- Enderlin Archer-Daniels-Midland Company
- Wahpeton Grand Prairie Agriculture, LLP
- Fairview Safflower Technologies International, LLC
- Underwood Great River Energy
- Fargo Anchor Ingredients Co, LLC
- Fargo Prairie Brothers Brewing, LLC

- Fargo NDSU Dept. of Agribusiness and Applied Economics, Dept. 7610
- Richardton Stone Mill, LLC
- Regent Pheasants Dakota
- Fullerton Geo-Matoes, LLC
- Dickinson Baker Boy Bake Shop, Inc.
- McKenzie Black Leg Ranch
- Lakota Stump Lake Lodge
- Bismarck North Dakota FFA Foundation
- Fargo Myriad Mobile, LLC
- Linton Plains Mobile, Inc.





BASIC & APPLIED RESEARCH

Basic & Applied Research Grants assist in research for processing agricultural products and by-products in North Dakota. These grants cannot be aimed at business expansion or creation without regard to agricultural products, must not include research that cannot reasonably be expected to result in a marketable product, or cannot have been duplicated by other research efforts.

COMPREHENSIVE ASSESSMENT OF THE ECONOMIC CONTRIBUTION OF THE AGRICULTURE INDUSTRY IN NORTH DAKOTA

NDSU Center for Social Research Nancy Hodur, Fargo

Grant Amount: \$230,929 Total Budget: \$288,662

NDSU Center for Social Research is seeking grant funds to estimate the economic contribution of the agriculture industry to the North Dakota economy. The agriculture industry is broader than the production of agricultural commodities. This study will include an assessment of not only agriculture commodity production, but value-added processing, farm-input manufacturing and commodity handling, merchandising and processing. Grant funds will be used to support research staff at NDSU to complete data collection and analysis of the project.

EVALUATION OF BIO BASED RESINS FOR ANTI-CORROSION PROTECTIVE COATINGS

Elinor Specialty Coatings LLC Dante Battocchi, Fargo

Grant Amount: \$24,675 Total Budget: \$30,875

Commercially available soy-based resins will be evaluated and tested as raw materials for use in formulations of corrosion protection coatings. Elinor Specialty Coatings has commercialized a chromium-free primer for use on automotive aluminum based on technology from research conducted at North Dakota State University. The possibility of utilizing North Dakota soybeans to replace petrochemical resins in the formulation of this novel coating will increase market potential for agricultural products and create more manufacturing flexibility for the Fargo-based company.



VEGETABLE OIL-BASED LATEXES FOR COATINGS AND PAINTS

NDSU Dept. of Coatings and Polymeric Materials Andriy Voronov, Fargo

Grant Amount: \$25,000 Total Budget: \$36,250

The main goal is to determine the feasibility of using emulsion polymerization of monomers developed from oil-seed crops produced in the state of North Dakota for synthesis of vegetable oil-based latexes and their application in paints and coatings. This work represents the important technical milestone required to assess the feasibility of commercializing this technology. Specific aims of this proposal include evaluating a broader range of vegetable oils (including sunflower, canola, linseed oil) to show whether an extended library of novel vegetable oil-based latexes is possible, and if so, how well-suited they are for further applications for paints and coatings. The long-term goal of this study is to replace some of the petroleum-based monomers in polymer latexes with monomers based on either soybean, sunflower, canola or linseed oil, at a price point that is comparable, and with the same equipment and processes, and with identical or better performance of the end paint or coating.

EPIDEMIC VACCINES FOR INFLUENZA VIRUSES

NDSU Dept. of Microbiological Sciences Kimberly Sheela Ramamoorthy, Fargo

Grant Amount: \$70,360 Total Budget: \$87,960

NDSU Dept. of Microbiological Sciences is conducting research to apply a novel, proprietary method for the development of rapid-response vaccines to swine influenza viruses. The developed methods can potentially have wide applicability to other influenza viruses and RNA viruses.

To meet the need for improving technology for firstresponse vaccines, in a project previously funded by APUC, NDSU Microbiological Sciences developed a unique and proprietary method to produce a safe and

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effective first response against the porcine epidemic diarrhea virus (PEDV). An RNA virus which appeared in the U.S. in 2013, PEDV caused widespread devastation and economic damage to the pork industry. In this project, the department proposes a logical extension to its previous work in extending the technology to influenza viruses. The department expects that completion of the proposed work will enable it to develop a product portfolio, establish a start-up company and attract a private investment. The proposed methods for epidemic vaccine development can potentially add value to autogenous vaccine manufacturing by significantly improving the safety and efficacy margins and hence, is of interest to this vaccine manufacturing sector as well.

The number of newly emerging infectious diseases has increased significantly over the last few decades due to changing practices in trade, travel and farming. Effective pandemic or emergency preparedness plans require the availability and rapid development of first-response vaccines for emergency use. Influenza is an important zoonotic infection of humans and production animals. The periodical emergence of new influenza viral strains in swine and poultry places a severe economic stress on the respective industries.

BASIC AND APPLIED RESEARCH GRANT

Northern Ag Development Corp. Kevin Skunes, Fargo

Grant Amount: \$31,500 Total Budget: \$231,500

Northern Ag Development Corp. intends to contract with the National Agricultural Genotyping Center for development of a laboratory test kit that will provide early detection of bacteria in the fermentation tanks of ethanol plants. Three ethanol plants, two of which are in North Dakota, will serve as beta test sites.



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M SQUARED GENETICS LLC

Aaron Mohs, Wahpeton

Grant Amount: \$72,000 Total Budget: \$133,350

M Squared Genetics LLC was formed to breed soybeans in North Dakota. There has been a lack of research in early maturing, non-GMO food-grade soybeans to suit the needs of growers raising non-GMO soybeans for multiple food-grade soybean processors in North Dakota, South Dakota and Minnesota. We intend to build off an existing breeding program and provide outstanding genetics to fill that void.

ADVANCED INTEGRATED SOLAR-LFP BATTERY POWERED WATER PUMP SYSTEM FOR REMOTE FARM FIELDS

University of North Dakota Yong Hou, Grand Forks

Grant Amount: \$15,000 Total Budget: \$156,778

Farm field subsurface (tile) and surface drainage greatly contribute to the farmer's profit in crop production. With more than 70 percent of the state in drought, livestock producers in North Dakota need tools to water their animals from clean water source. Many fields, however, are remote with no access to utility power lines to operate pumping systems. The objective of the proposed work is to design and develop an advanced integrated solar-LFP battery-powered water pump system that is reliable economically and capable of continuous performance in the harsh North Dakota environment.

PLANT OIL-BASED POLYMERS FOR PERSONAL CARE PRODUCTS

NDSU Dept. of Coatings and Polymeric Materials Andriy Voronov, Fargo

Grant Amount: \$30,000 Total Budget: \$68,905

This proposal's main goal is to determine the feasibility of using free radical polymerization of monomers developed from oil-seed crops produced in the state of North Dakota for synthesis of plant oil-based polymers and their application in personal care products. This work represents the important technical milestone required to assess the feasibility of commercializing this technology. Specific aims include evaluating a broad range of plant oil-based monomers (including sunflower, canola, linseed, soybean oil) that will show us whether an extended library of novel plant oil-based polymers is possible, and if so, how well-suited they are for further applications for personal care products, in particular, surfactants and rheology modifiers.

The long-term goal of this study is to replace some of the petroleum-based monomers in polymers for personal care applications with monomers based on either soybean, sunflower, canola or linseed oil, at a price point that is comparable, and with the same equipment and processes, and with identical or better performance of the end personal care product.

APUC BASIC AND APPLIED RESEARCH: M SQUARED GENETICS LLC

M Squared Genetics LLC invested its \$72,000 APUC funding in equipment to improve efficiency in our soybean research and development program.

"We purchased an Almaco SPC 40 2-row plot combine and an Almaco plot thresher," Aaron Mohs of M Squared Genetics said. "These two machines greatly increased our plot harvest efficiency and gave us more reliable yield data. We have harvested replicated research plots at four locations that included thousands of potential new varieties with different agronomic and end-use characteristics."

Now that we have harvested all that material, the team will analyze the yield data, as well as the compositional data. M Squared Genetics LLC also purchased a Perten NIR machine that analyzes the composition of soybean samples. In a matter of seconds, this machine provides results that include 42 different parameters, including proteins, sugars, digestible fibers, oils – including oleic and linolenic – without damaging the sample.

"APUC funding allowed us to purchase equipment that has greatly increased the efficiency of our soybean research efforts," Mohs said. "We will continue to utilize these investments for many years to develop soybean varieties that yield well and can bring a premium to North Dakota farmers while also adding value to processors."

M Squared Genetics LLC hopes to continue improving demand for North Dakota soybeans.

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FARM DIVERSIFICATION

Farm Diversification Grants give priority to projects dealing with the diversification of a family farm to non-traditional crops, livestock, or on-farm, value-added processing of agricultural commodities. Traditional crops and livestock are generally defined as those that the North Dakota Agricultural Statistics Service maintains statistics on. The project must have the potential to create additional income for the farm unit.

ON-FARM GELATO PRODUCTION

Duchessa Gelato Wilhelmina VanBedaf, Carrington

Grant Amount: \$62,791 Total Budget: \$125,582

The VanBedaf family would like to start a gelato production facility from their dairy's milk. The end goal is an on-farm creamery and a dairy shop in a major North Dakota city. The production line of gelato will be located on or near the VanBedaf Dairy Farm. The main production will consist of a pasteurizer, pastomaster, batch freezer and blast freezer. They plan to use an authentic Italian gelato cart to market the product at events around the state. The company also plans to package the gelato in pint-sized jars to sell to specialty grocery stores.

MEAT PROCESSING ROOM AND COMMERCIAL KITCHEN

Ridl's Country Fixins, LLC Clint Ridl, Belfield

Grant Amount: \$32,603 Total Budget: \$42,953

Build a custom exempt/state meat processing room.

Meat Processing Area: Butcher beef, hogs and other meat. We plan to provide custom -exempt and state-inspected level services. We will process state-inspected meat (carcasses or box meat) and whole finished products; perform cutting up, trimming, slicing, grinding, breaking up bulk shipments, wrapping and rewrapping. We will perform curing, cooking, smoking, rendering or refining. We will process meat animals or wild game for the owner of the animal.

Commercial Kitchen: We will harvest our garden and prepare foods for commercial sales. We anticipate preparing barbecue sauces, sauerkraut, sauces, pickles and other products based on growing season results.

APUC FARM DIVERSIFICATION: DUCHESSA GELATO

Duchessa Gelato is a small business that started the summer of 2018 in Carrington, North Dakota.

"Growing up, I knew I wanted to be a part of the family operation, but my heart was not in milk production," Maartje van Bedaf of Duchessa Gelato said. "My love of dairy manifested in a love of dairy products, specifically gelato. I fashioned a plan to develop my own, unique part of the family business but without the help of APUC, this dream may never have become reality."

Gelato is an artisan dairy product that is different from ice cream in several ways. It is made with more milk than cream, giving it a lower percentage of butterfat compared to ice cream. It is churned warmer and slower to reduce the amount of air in the product. This unique churning process gives gelato a dense and smooth consistency while eliminating added air and fat.

"My APUC grant helped with start-up costs of my small business,"
Bedaf said. "I was able to purchase a pasteurizer, gelato machine
and gelato cart. Last spring and summer were a whirlwind of
learning, experimenting and growing as a small business,"

Duchessa Gelato has been at the Red River Farmers Market, Foster County Fair, Junk Fest (Carrington) and other private events like weddings, class reunions and luncheons.

"APUC allowed me to develop a new and growing market for my family's milk," Bedaf said. "I hope to increase gelato production and experiment with different ways to bring the best dairy products from cow to customer."



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MARKETING & UTILIZATION

Marketing & Utilization Grants provide necessary assistance to the research and marketing needs of the state by developing new uses for agricultural products and by-products, and by seeking efficient systems for processing and marketing these products. These grants are also used to promote efforts that increase productivity, provide added value to agricultural products, stimulate and foster agricultural diversification and encourage processing innovations.

PROTEIN PRODUCTION FACILITY

Archer-Daniels-Midland Company Mike Keller, Enderlin

Grant Amount: \$93,319 Total Budget: \$122,944

Archer-Daniels-Midland Company (Fargo) is requesting \$93,318 to support preliminary engineering costs for a protein production facility to be located in North Dakota.

GRAND PRAIRIE AGRICULTURE LLP

Taylor Aasmundstad, Wahpeton

Grant Amount: \$45,460 Total Budget: \$58,575

Grand Prairie Agriculture (Devils Lake) is requesting \$26,460 to support initial project engineering to produce a farrow-to-wean sow farm, focusing on gilt production. The project will impact local farmers with another market for their products and provide another fertilizer source in the area.



FEASIBILITY STUDY & MARKET RESEARCH FOR SPECIALTY NON-GMO PROCESSING FACILITY

Safflower Technologies International LLC Michael Bergman, Fairview

Grant Amount: \$27,775 Total Budget: \$57,775

Safflower Technologies International (Williston) is requesting \$27,775 to complete a study for a specialty non-GMO oilseed processing facility with cold press or expeller press system technology for a range of oilseed processing and refining capabilities.

ORGANIC SEED MARKET DEVELOPMENT

Pulse, USA Candy Barth, Bismarck

Grant Amount: \$28,350 Total Budget: \$138,234

Pulse USA is working in partnership with the NDSU Carrington Research Station, Northern Plains Sustainable Ag Society and the NPSAS Farm Breeding Club to develop and market varieties of field peas and cow peas for organic growers. This partnership has already developed three lines of field peas and four lines of cow peas that have been tested and are producing very well in North Dakota field trials. In 2016, Pulse USA passively presented its upcoming release at local and regional conferences and the overall support and interest was very strong. Through APUC, Pulse USA intends to continue securing high-quality genetics developed specifically for organic use and increasing the intensity of the marketing campaign to target the organic grower community, organic regulatory certifiers and organic seed dealers to brand and establish these new varieties into the market. Pulse USA will also work directly with food market suppliers and grocers to introduce the varieties for human consumption. This will help establish

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end-user markets, which will translate up and down the entire production chain. This multi-pronged approach to marketing the unique organic lines will help ensure markets for North Dakota seed growers, farmers and processors who join in the production of these varieties. This particular method and market will allow many existing North Dakota acres to be positioned to take advantage of higher value production from both a seed versus commodity perspective, as well as an organic premium versus conventional commodity pricing structure.

FEASIBILITY FOR AN INTENSIVE MANAGED COW/CALF AND FEED BEEF PRODUCTION SYSTEM

Dakota EcoBeef, LLP Jacob Carlson, Baldwin

Grant Amount: \$23,888 Total Budget: \$46,638

This project will determine the financial feasibility of a 1,000-head livestock production company for Dakota EcoBeef, an emerging North Dakota limited liability company. The planned facilities would be designed to house beef cows and their offspring in a unique production system, a three-hoop barn (bedded) structure. This model produces beef on a small footprint, using feedstuffs that are essentially waste/byproducts of grain production. It is designed to harvest manure for fertilizer. Given the limited amount of grazing available to expand the North Dakota cow herd, this is a potential model for beef producers to expand herds in North Dakota.

APUC's investment would support the initial engineering design, business plan and financial projections and statements.



HOUWELING'S TOMATOES GREENHOUSE

Great River Energy Rich Garman, Underwood

Grant Amount: \$75,000 Total Budget: \$135,000

North American Coal/Great River Energy is requesting \$85,000 to design and operate a greenhouse within Coal Creek Station Energy Park. The funds will be used to explore the feasibility of co-locating a commercial-sized greenhouse near a power plant. The dollars will also be used to explore the market opportunities for the potential greenhouse products (tomatoes, cucumbers, peppers). The project will impact the agriculture industry in North Dakota by adding fresh produce grown in state and allowing farm diversification opportunities.

ANCHOR INGREDIENTS EXPANSION - BUFFALO, ND

Anchor Ingredients Co. LLC Seth Novak, Fargo

Grant Amount: \$75,000 Total Budget: \$225,000

Anchor Ingredients is expanding operations by adding a pea protein facility in Buffalo, North Dakota. The project seeks to expand the market for the North Dakota-grown and processed peas. Anchor also intends to enhance the existing customer base of these products in the premium pet food an natural products marketplace and establish Anchor Ingredients as a market leader for these products.

PRAIRIE BROTHERS BREWING, LLC

Donald Kenna, Fargo

Grant Amount: \$21,000 Total Budget: \$50,000

Project is to gain awareness of usage of North Dakota grain in the production of beer. Our marketing strategy is to increase sales and production of North Dakota products, including beer and malted cereal grains

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produced in North Dakota by North Dakota businesses and farms. By increasing awareness of North Dakota as a premiere producer of malting grains, we feel this will increase sales for our products, as well as increase sales of grains in North Dakota.

FLAX HULL LIGNANS FOR HEALTH AND PROSPERITY

NDSU Dept. of Agribusiness and Applied Economics Thomas Wahl, Fargo

Grant Amount: \$20,583 Total Budget: \$25,729

With a goal of providing consumers a new, versatile dietary supplement at an affordable price, this product will be positioned as a premium health supplement designed to ease/prevent serious ailments that occur naturally. Sales of this product will add value to North Dakota flax producers, currently producing roughly 90 percent of all U.S. flax seed.

STONE MILL WEST SIDE EXPANSION

Stone Mill, LLC Daneen Dressler, Richardton

Grant Amount: \$105,000 Total Budget: \$337,500

Ready to launch the next phase of our project, which includes marketing, promotion and automation portions of our business model. While the facility will handle traditional grains, it is also certified organic and kosher, which opens up supply of even more specialty product options for processing, sales, packaging and distribution. The add-on to the facility will be certified gluten-free, which is in high demand by U.S. food manufacturers. All products handled at the west side facility will be inherently gluten-free, as will the warehouse. This requirement alone makes the facility very attractive for use by many industries and food manufacturers demanding this type of certification. It creates marketing opportunities that were limited to us in the past.



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LARRY'S LETTUCE

Geo-Matoes, LLC Larry Schumacker, Fullerton

Grant Amount: \$10,500 Total Budget: \$41,250

Larry's Lettuce is a controlled environment agricultural lettuce producer using hydroponic methods to produce more than 6,000 plants every 30-35 days. This greenhouse is growing green Romaine and Bibb lettuce, along with an assortment of varied leaf lettuces. The production is done year-round and serves the region with quality, locally produced lettuce that is environmentally friendly using significantly less water and having less transportation costs because its local origins. Following changing customer demands, Larry's Lettuce is grown without soil using one gallon of water versus the 40 gallons of water needed for soil-grown lettuce. Larry's Lettuce is picked and within minutes placed in a walkin cooler to be delivered within hours to customers. Larry Schumacker has more than 30 years of growing experience and is the 2016 Hunger Relief Champion for the North Dakota Great Plains Food Bank. Schumacker is a life-long gardener who developed this hydroponic greenhouse with the assistance of the NDSU researchers.

BAKER BOY FILLED RING DONUTS

Baker Boy Bake Shop, Inc. Guy Moos, Dickinson

Grant Amount: \$105,000 Total Budget: \$206,000

These donuts, known commonly by the product names of the "Filled Ring Donut" and "Mini-Filled Ring Donut," will be marketed to Baker Boy's existing customers through its 18-state network of salespeople, distributors, brokers and operators. Each donut will be derived from Baker Boy's current yeast-raised ring recipe and will be sent to customers fried, injected with filling and frozen to await thawing, icing and eventual sale. No mixing, proofing or injection will be necessary on the operator's end. This allows operators to easily market this product in their stores and reach a large segment of consumers.

APUC MARKETING AND UTILIZATION: ANCHOR INGREDIENTS CO. LLC

The main objective of Anchor Ingredients' APUC grant was to help expand the market for North Dakota-grown-and-processed pulse and specialty crops. Anchor Ingredients also sought to enhance its presence as a market leader for these products.

To achieve this, Anchor Ingredients deployed capital to expand operations by adding multiple facilities in North Dakota, including Anchor's new pea fractionation plant. The plant utilizes the latest production technology and adheres to industry-leading food safety guidelines.

APUC funds were used by the Anchor sales team to participate in trade shows to connect with new potential customers, create brand recognition for Anchor Ingredients and introduce its expanded operation to national and international markets.

"The most profound impact this grant has had on Anchor Ingredients was realizing how important a proactive marketing campaign is and how much of a meaningful impact it can have on a growing business," Seth Novak of Anchor Ingredients said. "As the sales team travels throughout the U.S. and around the world attending trade shows and visiting customers, it continues to hear that the market is very receptive to North Dakota-grown commodities."



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NATURE-BASED TOURISM

Nature-Based AgriTourism Grants are for enterprises which seek to attract visitors to a working farm or ranch, or any agricultural, horticultural or agribusiness operation to enjoy, be educated or be involved in activities. Eligible projects include but are not limited to farm or ranch tours, hands-on chores, self-harvesting of produce, hunting operations, fishing operations located on applicants' land, bird watching, trail rides and corn mazes.

OUTDOOR MEETING VENUE

Black Leg Ranch Jay Doan, McKenzie

> Grant Amount: \$26,250 Total Budget: \$72,716

Black Leg Ranch (McKenzie) is requesting \$52,715 to build an outdoor space and meeting area. This meeting space will overlook native grasslands and prairie flowers.

STUMP LAKE LODGE

Chris Ahl, Lakota

Grant Amount: \$21,294 Total Budget: \$47,439

Stump Lake Lodge – formerly Buckshot Lodge in Lakota – is under new ownership by Chris and Anne Ahl and providing lodging and guiding services to hunters, anglers, vacationers and other outdoor sports enthusiasts. The Ahls will be making the apartment-style units more energy efficient and adding modern amenities like flat-screen TVs and Wi-Fi. The new fish cleaning station will be a huge draw.

Guests to Stump Lake Lodge primarily come from North Dakota, South Dakota, Minnesota and Wisconsin. The Lakota area is known for its access to great hunting with thousands of waterfowl migrating through the area in the fall and also access to Devils Lake's 200,000 acres of outstanding fishing.

APUC NATURE-BASED AGRI-TOURISM: STUMP LAKE LODGE

An APUC grant "jump started" the process of updating Stump Lake Lodge into a lodging destination for hunters and anglers along Highway 2 in the Lakota-Devils Lake area.

Stump Lake Lodge really pushes fishing, primarily because of its location next to Devils Lake and Stump Lake. The new fish cleaning station with a Barracuda fish grinder system will be a great attraction for all hunting/fishing enthusiasts.

Walk-throughs have shown others how the new grinder system works. North Dakota Game and Fish plans on installing the same system at its various locations throughout the state.

Aside from the main grinder, there will be stainless steel tables, big screen TVs and an overall sporting environment that will ensure our anglers and bird hunters have an enjoyable experience when cleaning game.

"Guests staying at Stump Lake Lodge get a full "apartment-style" experience," Chris Ahl with Stump Lake Lodge said. "Each unit is equipped with a fully stocked kitchen, living room, bedrooms and multiple closets, as well as plenty of space to park boats and trailers. All hunters have access to 2,000 acres of land to hunt deer, coyotes or birds. We've also teamed up with multiple guides to provide flexible and competitive package deals."



TECHNOLOGY

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BUSHEL SOFTWARE

Myriad Mobile, LLC Amanda Hanson, Fargo

Grant Amount: \$50,000 Total Budget: \$62,500

Myriad Mobile officially launched its new phone mobile ag platform, Bushel, on June 21, 2017. Bushel is the grain industry's first automated mobile app platform for elevators to connect with their growers and deliver real-time actionable information via a mobile app. The initial version of Bushel was piloted with North Dakota-based elevator network The Arthur Companies, which serve more than 350 growers in eight location, and has grown to 12 elevator clients in the Midwest and counting.

In cooperation with APUC, Myriad Mobile is embarking on a commercialization project that will bring Bushel to the forefront of ag-tech through Myriad's participation in industry-focused tech conferences and trade shows, which have proven to be the largest lead-generator for Bushel by far. Specifically, grant funds will be utilized for trade shows and conferences.

A variety of marketing efforts will be used to bring the product to the market. Activities include, but are not limited to, trade shows, event sponsorships, video production, photography, search engine marketing/optimization, traditional mail campaigns, trade publication advertising, association memberships, content marketing, public relations, media releases and outbound/inbound sales activities.



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AGCINECT

Plains Mobile, Inc. Jon Richter, Linton

> Grant Amount: \$10,500 Total Budget: \$230,000

Plains Mobile Inc. is the developer and part owner of AgCinect, which provides cloud-based farm and ranch solutions designed by farmers and ranchers for farmers and ranchers. AgCinect is hosted entirely in the cloud, so it is accessible from any device. This makes it possible to enter and access valuable data in any location via your laptop, pad or phone.

The agriculture industry is becoming more complex, so farmers need a tool to help manage their operations. Not every operation is run by one person with one income and expense system. Many times, there are partnerships or divisions of a farm needing to be reported or analyzed separately. AgCinect allows farmers to break down reports by farm name to give clear insight relating to each entity without manual paperwork. Having multi-entity capabilities gives the power to manage all partnerships and the control to dial into specific aspects of each farm. Most agriculture apps focus on one aspect or area of an operation, AgCinect allows a farmer or rancher to efficiently manage all of their data for all aspects of their operation. AgCinect is the first comprehensive agriculture solution in the marketplace bringing together all the business needs of the diversified farmer or rancher. With AgCinect, farms can track their per-acre yield, inventory, feedlot inputs, calving data and cow herd, as well as accounting requirements like sales, payables, tax information and financials.

APUC TECHNOLOGY: MYRIAD MOBILE LLC

There's a software product, homegrown in North Dakota, that's strengthening the relationship between grain facilities and farmers across the United States. Shortly after launching the product, one grain elevator manager said, "I'm surprised by the number of farmers who are already saying they can't live without it. Even older farmers are on board with it—hard." And what is this homegrown tool that farmers (yes, even older farmers) can't live without? Meet BushelTM.

Bushel™ is the grain industry's first software platform delivering real-time information from grain elevators, cooperatives and ethanol facilities to their growers; informing better business decisions on both sides. Offered through elevator-branded apps, Bushel includes real-time scale tickets, contracts, pre-pays, cash bids, eSign, and contract management. Headquartered in Fargo, Bushel was developed by Myriad Mobile, an enterprise software technology company focused on mobile and web applications.

With the help of a Marketing and Utilization Grant from North Dakota's Agricultural Products Utilization Commission (APUC), Bushel has continued to quickly capture market share across the United States. Since being awarded the \$50,000 APUC grant in December 2017, Bushel has added nearly 50 new clients to the platform.

The funding from APUC helped supplement Bushel's marketing activities. Bushel was able to attend conferences and industry specific trade shows, as well as engage in marketing activities that directly expedited market share gains.

"Our vision for Bushel is to be the number one digital platform for the grain industry that strengthens, and makes more efficient, the relationship between grain buyers and growers," said Jake Joraanstad, Bushel CEO and Co-Founder.



SPONSORSHIP

ND FFA FOUNDATION, INC. SPONSORSHIP 2017

North Dakota FFA Foundation Tamra Maddock, Bismarck

Grant Amount: \$300 Total Budget: \$300

The North Dakota Future Farmers of America (FFA) Foundation supports leadership opportunities and activities of its 4,500 members in the state. This sponsorship supported of the State FFA Convention June 5-9, 2017, at NDSU in Fargo. Members competed in more than 40 different career development and other award areas for the chance to represent the state at the 2017 National FFA Convention.

APUC SPONSORSHIP: NATIONAL COUNCIL OF STATE AGRICULTURAL FINANCE PROGRAM

The National Council of State Agricultural Finance Programs (NCOSAFP) is a consortium of agricultural financing entities that collaborate to provide national representation for states operating finance programs for farmers, ranchers and the agricultural industry.

"The Council provides information about state programs on farm finance issues and legislation developing in Washington, D.C.," explains Annette Curl, who serves on the Council's Board of Directors. "NCOSAFP is also involved in the promotion and support of rural economic development programs."

North Dakota hosted the 2015 Annual NCOSAFP Conference in Medora and APUC committed to the event's Platinum Sponsorship Level. The two-day conference consisted of presentations by local leaders and business owners, and tours of nearby farms, an oil rail loading facility and the Dakota Prairie Refinery. The activities showcased North Dakota's robust agricultural, energy and tourism sectors.

"APUC funds supported a conference that highlighted the state's economy and to inform attendees about [our] diverse agriculture, tourism and energy industries and how they contribute to the state's economic prosperity," says Curl. The conference also highlighted the ways that North Dakota has created unique export opportunities for its goods.



FUNDING SOURCES



APUC's appropriation for the 2017-2019 biennium totaled \$5,498,754 and was provided from the following sources:

- Up to \$2,956,900 was authorized to be collected from the APUC Special Funds, funded by the North Dakota Mill and Elevator.
- No funding was appropriated directly from the state general fund.
- At the beginning of the biennium an additional \$2,541,854 was authorized as carry-over authority from the previous biennium.

Financials as of September 30, 2018

	Expenditures	Budgeted
Salaries & Benefits	\$ 67,029	\$ 155,115
Operating Expenses	\$ 13,301	\$ 40,900
Grant Commitments *	\$2,020,978	\$2,956,900
Total Expenditures	\$2,101,308	\$3,152,915

Remaining Appropriation: \$1,232,999
* Includes current plus carry-over commitments





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Testimony of Mason Sisk Economic Development Association of North Dakota In Opposition to SB 2328 January 28, 2019

Chairman Klein and members of the Senate Industry, Business and Labor Committee:

My name is Mason Sisk, and I represent the Economic Development Association of North Dakota (EDND). I am testifying in opposition to SB 2328.

EDND represents large and small and rural and urban economic development organizations on the front line of growing businesses and communities in North Dakota. The primary purpose of the organization is to promote the creation of new wealth throughout North Dakota to develop more vibrant communities and improve quality of life.

EDND has a long-standing and complimentary relationship with the Department of Commerce. They are a premier partner providing valuable tools, programs and resources for the economic developers in our state. EDND members are extremely supportive of the Agricultural Products Utilization Commission (APUC) and encourage it to be funded at adequate levels. The more value that is added to crops and animals raised within the state, the more agriculture and the state can benefit. But APUC is only part of a larger economic development strategy, and keeping the program housed in Commerce will allow the Department to connect businesses with other economic development programs which could be beneficial. In addition, keeping business development programs together makes it easier to connect local developers with the programs needed for their community. Removing APUC from Commerce could result in lost opportunities for producers and the state.

Ultimately, whether the program is housed in the Department of Commerce or the Department of Agriculture, a majority of APUC's funding will be determined by the legislature. EDND would ask you to keep the program at the Department of Commerce, where it is being effectively and efficiently run in conjunction with other economic development programs, and we advocate for strong funding for this important economic tool.

COMMISSIONER
DOUG GOEHRING



ndda@nd.gov www.nd.gov/ndda

Testimony of Doug Goehring, Agriculture Commissioner North Dakota Department of Agriculture

House Agriculture Committee
Peace Garden Room
March 15, 2019

Chairman Johnson and members of the House Agriculture Committee, I am Agriculture Commissioner Doug Goehring. Thank you for the opportunity to appear before the committee. I am here today in support of Senate Bill 2328.

The Agricultural Products Utilization Commission is a cost share grant program that is used to help advance concepts and products from a developmental to a commercial state.

APUC helps with basic and applied research, prototype development, technology, technical assistance, marketing and utilization, farm diversification and agri-tourism. The program has had a history of being funded from gas tax refunds that farmers applied for at the end of the year, 5% of the State Mill and Elevator's profits and a general fund appropriation.

In my tenure on APUC we have helped advance over 190 projects with great success. We've helped Bessie's best add value to their cheese, milk and yogurt by helping them with some equipment purchases to comply with the food safety regulations and assisting them in direct marketing to the consumer. APUC has helped the Black Leg Ranch convert a part of their place into a hunting/wedding/event center which is an agri-tourism based family business, assisted Baker Boy Bakeshop out of Dickinson to launch a new product in the regional and national market, and supported the development and marketing of the "Fresh Cab" products. APUC has also helped fund feasibility studies on renewable energy projects along with straw utilization facilities for construction materials as well as biodegradable plates, cups and silverware, greenhouse projects, and an aquaculture project in Bottineau.

My decision to request the transfer of funding for this program was based on a lack of support within the Department of Commerce. Commerce's recommended budget has almost \$112 million increase with several new programs being added, and yet, there are recommended cuts to the Trade Office and the Ag Products Utilization Commission. Over the last few legislative sessions, APUC was treated as an afterthought with division budgets being balanced at the expense of these programs and I am disheartened about this continued approach. APUC once in the agriculture department and was removed for various reasons.

In addition, Mr. Chairman, you may hear opposing testimony that describes the Department of Agriculture as a regulatory agency. Yes, we are a regulatory agency; however, we are also in the business of adding value to North Dakota's rural communities. For example, the Department administers the Pride of Dakota program; the Specialty Crop Program which promotes research, addressing production, quality, transportation, marketing hubs and market development; the Agriculture in the Classroom program; the local foods program which oversees grape and wine development and promotion; the Community Orchard program; the local foods initiative, the Farmto-School program; the Honey Promotion program, the Turkey Promotion program, and the Livestock Pollution Prevention program. We clearly cover all aspects of food, feed, fiber and fuel development and support our communities from the farmer, rancher, manufacturer, agribusiness to the consumer.

If the legislature chooses to move APUC to the Ag Department, we will carry out the program as efficiently and effectively as we do the rest of the programs you have placed under the statutory authority of the Department of Agriculture. My staff and I continue to provide high quality service that supports agriculture and the citizens of North Dakota. I am excited about the future of agriculture and how APUC can assist North Dakota's entrepreneurs in meeting or expanding their business opportunities.

Chairman Johnson and committee members, I ask for your support of SB 2329 and would be happy to take any questions.

Department of Commerce testimony or SB2328

March 15, 2019

House Agriculture

Representative Dennis Johnson, Chair

Chairman Johnson, and members of the House Agriculture Committee,

For the record my name is Carla Valentine, with the North Dakota Department of Commerce and I'm here today to testify in opposition to SB2328.

The Agricultural Products Utilization Commission (APUC) was established in 1979. It has been and based on past success, should continue to be the primary program in North Dakota dedicated to diversifying the State's economy through value-added agriculture. APUC is usually the first or only resource a company can access when researching opportunities to create new or expanded uses for all North Dakota agricultural products. APUC administers seven unique grant programs and special sponsorships. The grant programs encompass basic and applied research, farm diversification, marketing and utilization, prototype development, technology, technical assistance, and nature based agri-tourism.

North Dakota is blessed with an amazing agricultural sector. Fortunately, the Department of Commerce, and its partner organizations, have deployed a new strategy to augment the \$11 billion economic impact. To realize its full potential, Commerce is actively engaged with producers and processors to ensure that they maximize the use of robust marketing and economic development. Part of this systems approach includes APUC, which has been effectively and efficiently managed in Commerce for over a decade. Through APUC, the Department of Commerce, has enabled top notch success without any funding designated for program management. This is about as efficient as it gets, maximizes program dollars to ensure less overhead enabling more money to get where it belongs, with our farmers, ranchers and innovators making value added agriculture products. In the last eight years alone APUC has provided just over \$9 Million in grants to 193 companies leveraging \$28 million in private sector matching dollars.

The North Dakota Department of Commerce has developed a systems approach to project development. Business developers within the Economic Development & Finance (ED&F) division lead projects through a continuum of funding and development. From concept to commercialization projects are guided through this process by Commerce staff. APUC plays an important role in this continuum, providing funding not only in the concept stage with funding for feasibility but also as a project develops and grows with funding for market expansion. APUC isn't just a grant program it's part of a continuum of project development. Examples of this are:

Youweling Tomatoes in Underwood – used funds for feasibility and design of a 28-acre greenhouse co-located within Coal Creek Station Energy Park. Funds will also be used to

explore market opportunities for the potential greenhouse products. The project will impact the agricultural industry in ND by adding fresh produce grown in the state and allowing farm diversification opportunities.

Myriad Mobile, LLC Fargo – used funds to market the industry's first automated mobile app (Bushel) that connects elevators to growers. The initial version of Bushel was piloted with ND based elevator network The Arthur Companies serving 350 growers in eight locations and now has grown to 12 elevator clients in the Midwest and counting.

Baker Boy Bake Shop, Inc Dickinson – used funds to market a new "Filled Ring Donut" line. The product which receives 100% of its flour from the State Mill and Elevator will be marketed through its 18-state network of salespeople, distributors, brokers and operators.

Stone Mill Richardton - Funds used for project marketing, promotion and automation on their newly expanded product line of traditional, certified organic, and kosher grains. The expanded facility will be certified gluten-free, which is in high demand by U.S Food manufactures and will create marketing opportunities that were limited in the past.

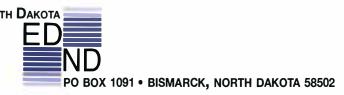
Most of the above projects received additional assistance through other Commerce programs such as the ND Development Fund and may have received assistance from our partners at the Bank of ND and Job Service, as well as, tax incentives. As the companies develop and mature Commerce's business developers work with them assisting them to find other available resources and providing technical assistance as they move through the process.

Funding for APUC over the last four biennia has been remarkably consistent. The executive budget ask and the legislative appropriation have been within 5% of each other. The funding request for the upcoming biennia is lower so Commerce sought funding from non-traditional sources to augment. One of our long-term partners, BND, has committed to an infusion of \$4 million for the upcoming biennia.

Over the last 15 years the program has never had any financial audit findings, and as a matter of fact, has been used as a model for similar programs within the State. Commerce is of the belief that moving this program to a regulatory agency may hamper economic growth and development prospects and as a result, recommends that the program remain within Commerce. We have dozens, if not hundreds of examples of success as this program is well delivered; in addition, the Commissioner of Agriculture sits on the board and can continue to deliver unique subject matter expertise while reducing the propensity to disrupt the program through additional regulatory requirements and administrative overhead burdens.

Mr. Chairman this completes my testimony I would be happy to answer any questions you or the committee may have.





Testimony of Mason Sisk Economic Development Association of North Dakota In Opposition to SB 2328 March 15, 2019

Chairman Johnson and members of the House Agriculture Committee:

My name is Mason Sisk, and I represent the Economic Development Association of North Dakota (EDND). I am testifying in opposition to SB 2328.

EDND represents large and small and rural and urban economic development organizations on the front line of growing businesses and communities in North Dakota. The primary purpose of the organization is to promote the creation of new wealth throughout North Dakota to develop more vibrant communities and improve quality of life.

EDND has a long-standing and complimentary relationship with the Department of Commerce. They are a premier partner providing valuable tools, programs and resources for the economic developers in our state. EDND members are extremely supportive of the Agricultural Products Utilization Commission (APUC) and encourage it to be funded at adequate levels. The more value that is added to crops and animals raised within the state, the more agriculture and the state can benefit. But APUC is only part of a larger economic development strategy, and keeping the program housed in Commerce will allow the Department to connect businesses with other economic development programs which could be beneficial. In addition, keeping business development programs together makes it easier to connect local developers with the programs needed for their community. Removing APUC from Commerce could result in lost opportunities for producers and the state.

Ultimately, whether the program is housed in the Department of Commerce or the Department of Agriculture, a majority of APUC's funding will be determined by the legislature. EDND would ask you to keep the program at the Department of Commerce, where it is being effectively and efficiently run in conjunction with other economic development programs, and we advocate for strong funding for this important economic tool.

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Sixty-sixth Legislative Assembly of North Dakota



#/ 3/22/19

Introduced by

Senators Klein, Elkin, Holmberg, Luick

Representatives D. Johnson, Schreiber-Beck

- 1 A BILL for an Act to create and enact a new chapter to title 4.1 of the North Dakota Century
- 2 Code, relating to the agricultural products utilization commission; to repeal chapter 54-60.3 of
- 3 the North Dakota Century Code, relating to the agricultural products utilization commission; and
- 4 to provide a report.

5 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

- 6 **SECTION 1.** A new chapter to title 4.1 of the North Dakota Century Code is created and
- 7 enacted as follows:
- 8 Agricultural products utilization commission Composition Appointment.
- 9 The agricultural products utilization commission shall administer the agricultural products
- 10 utilization fund. The commission shall consist of nine members, five of whom must be appointed
- by the governor agriculture commissioner for terms of two years each, arranged so that two terms expire in
- odd-numbered years and three terms expire in even-numbered years. Three Four members
- appointed by the governor agriculture commissioner must be actively engaged in farming in this state and two one members
- 14 appointed by the governor agriculture commissioner must be actively engaged in business in this state. The agriculture
- 15 <u>commissioner governor shall appoint one member for a term of two years which expires in odd-</u> numbered
- 16 years. The member appointed by the commissioner governor must be actively engaged in farming business in this
- 17 state. Commission members may be reappointed. Terms of commissioners commence on the
- 18 first day of July. The commissioner of commerce, the president of North Dakota state university,
- and the agriculture commissioner, or their designees, are members of the commission. The
- 20 commission shall elect one of its members as chairman.
- 21 Agricultural products utilization commission Authority.

one hundred dollars for each day of a regular meeting attended as payment for reviewing and

diem compensation of one hundred thirty-five dollars for each day of attending meetings and

chairman, if not otherwise employed by the state of North Dakota, may receive an additional

performing other duties relating to official business of the commission. The commission

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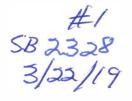
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1	Agricultural products utilization commission - Administrative expenses.
2	Administrative expenses of the agricultural products utilization commission, including
3	expenses of members of the commission, employment of required personnel, hiring of
4	consultants, and contracting with public or private entities for services may not exceed ten
5	percent of the funds appropriated to the commission by the legislative assembly each biennium,
6	excluding federal funds.
7	Agricultural products utilization fund - Purposes.
8	The agricultural products utilization fund in the state treasury must be used to fund
9	programs for agricultural research, development, processing, technology, and marketing. The
10	fund must be used to defray the expenses of the North Dakota agricultural products utilization

commission. Interest earned on moneys in the fund must be credited to the fund.

SECTION 2. REPEAL. Chapter 54-60.3 of the North Dakota Century Code is repealed.