

# MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2147

2005 SENATE AGRICULTURE

SB 2147


2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2147

Senate Agriculture Committee

Conference Committee

Hearing Date January 20, 2005

Tape Number	Side A	Side B	Meter #
1	x		33 - end
1		x	0 - end
2	x		85 - 2270
Committee Clerk Signature 			

Minutes:

Chairman Flakoll opened the hearing on SB 2147, relating to the North Dakota certified beef program, creation of a livestock guarantee program, and sales tax exemptions for livestock facility construction materials; relating to authority of the agricultural products utilization commission and investment tax credits for investing in agricultural businesses. All members were present.

**Senator Taylor** introduced the bill. He handed out a hog house amendment. The bill is substantially the same. This is an agency bill that comes with sponsorship. It starts with the certified beef program. South Dakota launched a certified beef program last year. It dovetails nicely with the Beef System Center of Excellence. This would be a way for us to have state of origin labeling.

**Senator Erbele** asked if section 1 in the amendment in lieu of section 1 of the bill.

**Senator Taylor** said the amendment is the bill.

**Senator Klein** asked if we will share ideas with South Dakota. We have similar interests.

**Senator Taylor** said we will have to establish parameters, especially as we watch the progress of the Beef System Center of Excellence. There may be a point in time we could look at co-marketing.

**Senator Flakoll** asked how the program will differ from Pride of Dakota.

**Senator Taylor** said he will let the Agriculture Commissioner speak to this. (meter 356)

**Senator Taylor** said section 2 is an addition to allow APUC to make grants to nature based tourism. Also there is a provision for intellectual property.

Section 3, the meat of the bill, is a livestock loan guarantee program through the Bank of North Dakota. When you go into states where cattle feeding is more established there are structured loan programs and you can get 70% of the value of your calf and 100% of the value of the feed that you are going to feed loaned at pretty competitive rates (3/4% over prime). We don't have that culture in North Dakota. The \$30 million cap would be 60,000 head of cattle on feed. The owner of the cattle would have no more than a 15% equity position in these cattle. The Bank of North Dakota would guarantee loans made by local lenders.

**Senator Klein** asked if the Bank of North Dakota would be expected to cover the cost of insolvency in a feed yard so the producer is still compensated. (meter 639)

**Senator Taylor** said there would be a lien on the cattle. If things really go to pot, the guarantee kicks in after the equity in the cattle has been used. In talking with Decatur County Feeders, they require 30% of the value of the animal in equity, which equates roughly to the 15% equity and value of the feed we are talking about here, they have not ever had to go back on that equity

level to get more money from the cattle producer. It is very limited exposure for the Bank of North Dakota but it would be helpful to have the guarantee.

**Senator Klein** said there is no income to the bank but there could be some expense.

Senator Taylor said the bill allows the Bank of North Dakota to charge a fee and yes, there would be some exposure, but it would be very slim.

**Senator Taylor** said section 4 deals with agricultural business investment tax credit. It modifies the definition of agriculture commodity processing facility to include dairy, livestock feedlots and swine finishing operations. (meter 868) This leads into section 5 where the only change is taking the investment tax credit from 30% of the amount invested to 50%.

**Senator Klein** said another investment tax credit bill maintains the 30% level.

**Senator Taylor** said the Agriculture Commissioner has a good example to present.

**Senator Klein** said he has been through all of the examples. Sometimes it is more difficult to sell a program with those numbers. We may have to have some flexibility.

**Senator Taylor** said the 50% credit would be more worthwhile.

**Senator Klein** said he believes the seed capital investment tax credit is at 45%. We are trying to keep the programs a little different so we can get a different type of investor in each.

**Senator Flakoll** asked if there is a fall back provision to investors, if a bill to eliminate income tax is passed.

**Senator Taylor** said they have not had the discussion. If the income tax was eliminated, many investors from many sectors would wonder where they stand.

**Senator Taylor** said section 6 is the sales tax exemption. There is also a dairy specific bill this session. Production livestock facility does not include grain bins but rather only items that are specific to feedlots.

**Senator Flakoll** asked if there has been any thought to exclude use tax to encourage buying within the state.

**Senator Taylor** said they have not discussed it. (meter 1231)

**Senator Erbele** asked what savings would be like with a sales tax exemption.

**Senator Taylor** said the Agriculture Commissioner has an example. It would be a fairly decent savings.

**Senator Flakoll** asked why the five years was selected. It seems like a long time to have your feedlot shut down.

**Senator Klein** asked if someone is tracking the 5 years with the sales tax exemption.

**Senator Taylor** said the tax department has a tracking mechanism.

**Senator Taylor** said sections 7 and 8 are the appropriations portion of the bill, for the certified beef program and the farmers market program. Pride of Dakota is a wildly successful program and the farmers market program has as much potential. Any time we can connect the farmer with the end consumer, it is a good idea.

**Senator Erbele** asked if the appropriation was for an FTE.

**Senator Taylor** said he thinks much of the work would be contracted.

**Senator Taylor** said there is a lot of focus on renewable fuels and livestock will play a key role in the development of renewable fuels. Livestock to eat the by products will make the renewable fuel facilities more lucrative. A 1000 head feedlot operating at 85% capacity will use 113,000

bushels of corn, 775 tons of hay, 390 tons of supplements, \$27,500 of implants, vaccines and other pharmaceuticals. There is a huge role for auxiliary services like trucking, veterinarians, feedstuffs. Animal agriculture is a key way to grow jobs in North Dakota. (meter 1690)

Representative Onstad testified in favor of the bill. There is tremendous potential to grow the industry. The change in the incentive tax program to 50% is an important added incentive.

**Roger Johnson**, Agriculture Commissioner, testified in favor of the bill. (written testimony)

(meter 1928) He said he has just received the amendments to his written testimony is addressed to the bill as introduced. He will adjust his verbal testimony to reflect the amendments.

Section 10 was the sunset to the livestock guarantee program and we may want to bring it back, (meter 3115)

**Senator Seymour** asked in the crops - livestock mix, on page 3 of the testimony, where do we hope to be in 5 years.

**Mr. Johnson** said we won't be at 40% like our neighbors, but maybe 25%. So many projects will be enhanced with feed eaters close by. (meter 4422)

**Senator Erbele** asked, on page 13 of the testimony regarding the sales tax, how is the money lost to the general fund made up. Is there a corresponding increase in other tax collections.

**Mr. Johnson** said \$2.5 million is the investment in a 800 head dairy. Using the 4.5 economic multiplier gets you to just under \$10 million in economic activity. We need to ask the tax experts what that generates in taxes.

**Mr. Johnson** said regarding the earlier question about involving Pride of Dakota , absolutely there would be a connection.

**Senator Urlacher** asked if dairy has the highest multiplier of all the species.

**Mr. Johnson** said he would check and will send a memo.

**Senator Flakoll** asked how they will spend the \$100,000 for the certified beef program.

**Mr. Johnson** said they do not intend to use a FTE. They do a fair amount of contracting. They had hoped they would have a partner for the Beef System Center of Excellence by the time the session started so they could have more definition to how the dollars will be spent. There are a number of state inspected plants and encourage state programs to enter into the marketing arena.

**Bob Humann**, Senior Vice President of Lending at the Bank of North Dakota, testified in favor of the bill. The Bank of North Dakota has many agriculture programs and they favor section 3. He said he would have a couple of proposed changes. He would not want the equity percentage built into law. They would like to determine it through their loan policy steps. That is how they handle all the other programs administered by the Bank of North Dakota.

The \$30 million cap is a big price tag. The potential exposure is in the case of fraud. They would also like to get the sunset back into the bill and look at the program in 2 years.

**Senator Klein** asked if the sunset would be 05 or 07.

**Mr. Humann** said 07.

**Senator Klein** said regarding the loan guarantee, would the loan be scrutinized with all basic loan practices.

**Mr. Humann** said yes. The lead lender will be doing most of the leg work and the Bank of North Dakota will review it. That is why it is important to get their input in setting up the parameters.



**Tom Bresnahan**, Sinner Brothers and Bresnahan Farming and Feedlot Partnership testified in favor of the bill (meter 6176). (written testimony) He disagrees with changing the 15% and reducing the \$30 million cap as recommended by the Bank of North Dakota. (side 2 meter 65)

**Bill Price**, part owner of Missouri River Feeders from north of Mandan and Chairman of the North Dakota Feeder Council, testified in favor of the bill. (meter 540) His feedlot employs 15 people at the feedyard and another 4 people per employee off the feedyard. They buy feed daily from 50 suppliers. They also work with 8 million pounds of feed per month. We have young people wanting to feed cattle to use excess feed. There are people from out of state looking at setting up feedlots in North Dakota because we have an abundance of feed and its cheaper here. The only way to have opportunity is to have some risk, There are many tools to manage risk.

There is not a nutritionist in North Dakota that they can hire, they hire both of their nutritionists from out of state. You need greater numbers to make an operation efficient in order to have the right management team and the right equipment.

**Senator Klein** asked about the health department rules. It seems like they don't want cattle in North Dakota. Are you grandfathered in.

**Mr. Price** said no. Its a thing of the future. Today the health department has a much more stringent check list. Investors in feed lots are happy to do it, you need to give them something. Agriculture hasn't been a big seller in North Dakota, we have to help it out a little bit.

**Dawn Jarolimek**, president of the North Dakota Pork Producers Association testified in favor of the bill. (written testimony) (meter # 1180)

**Gary Anderson**, North Dakota Tax Department, said he had just seen the amendment. In section 6, the sales tax language was modified. He will work with Legislative Council and make

recommendations for amendments. The amendments won't change intent, just to ensure it accomplishes what the sponsor intended.

**Senator Klein** asked if the amendments would change the fiscal note.

**Mr. Anderson** said he called the research analyst that does the fiscal notes and she hasn't seen it yet.

**Senator Urlacher** asked about the dairy bill that is out there, does the fiscal note there include dairy.

**Mr. Anderson** said no, it was included.

**Wade Moser**, North Dakota Stockmen's Association, testified in favor of the bill. (meter 1672)

They are already seeing some expansion of feedlots. Any further encouragement would help that effort. He hasn't seen the amendments yet. The North Dakota certified beef program is a good idea and will be easier to implement if the Beef System Center of Excellence is up and operating. We need some sort of facility here because we won't get the cooperation of the packing industry outside of North Dakota, based on past experience. In section 3, their feeder council has talked about this for several years, getting outside investors to keep their lots full year round. Through the lending process, we can work through all of it, don't need so much in statute. He sees expansion, maybe not so many new feeders coming forward, In section 4, they like the tax credit for livestock feedyards. In section 6, he thinks its important to fund expansion. He also sees a lot that need investment to comply with regulations, some kind of a tax break could be beneficial. Regarding environmental permits, he supports that and if its been taken out in the amendments, he would support putting it back. He does not know if a sunset in 2007 is enough time to ramp up this program. There may be a need for one more biennium.

**Senator Erbele** said feedlot expansion fits well with byproducts and the ethanol industry.

Historically why haven't we fed before - weather, distance from consumers, distance from packers. What is eliminating those factors (meter 2197)

**Mr. Moser** said several years ago there were a lot more people involved in feeding cattle. With our increased ability to raise corn and the byproducts are spurring some interest. There is a strong desire from the younger generation to come back and they are looking at options which include backgrounding or finishing cattle. We are also getting more sophisticated, better educated.

**Senator Erbele** asked about the cost of getting the product to the consumer.

**Mr. Moser** said that is a problem in getting a certified program up and running is finding a market, finding a partner for the Beef System Center of Excellence is a challenge. (meter 2415)

**Senator Flakoll** asked if other states have certified programs.

**Mr. Moser** said South Dakota is working on theirs. They have run into some difficulty in the last few days because of some challenges from private industry.

**Senator Flakoll** asked about finding a market for our cattle outside the state.

**Mr. Moser** said our reputation is good and we should be able to market outside the state.

Finding a packer is a challenge.

**Senator Flakoll** asked if there is an advantage to being source verified within the United States.

**Mr. Moser** said yes, if we were certified from North Dakota, we would automatically be certified US.

**Senator Klein** said some consumers want cheap meat, some want source verified meat. (meter 2813)

**Bonnie Munsch**, Capital Farmers Market, testified in favor of the bill. (written testimony) (meter 2937)

**Paul Thomas**, North Dakota Agriculture Coalition, testified in favor of the bill. (written testimony) (meter 3333)

**Woody Barth**, North Dakota Farmers Union, testified in favor of the bill (written testimony) meter 3709)

**Paul Ivesdal**, Edmore, North Dakota, testified in favor of the bill, (written testimony) (meter 4076)

**Senator Erbele** asked if the sales tax incentive would be a good incentive.

**Mr. Ivesdal** said he is looking at a hog finishing operation at a cost of \$4 million. If half of the expenditure would qualify, that would be an \$80,000 impact. It is very sizable.

**Senator Erbele** asked if it would make a difference in whether he went ahead with the project.

**Mr. Ivesdal** said that is nearly 10% of the required equity, he could probably find the funds but the incentive would be nice.

**Kathy Tweeten**, NDSU Extension service and the Center for Community Vitality, testified in favor of the bill. (written testimony) (meter 4460) She also submitted testimony from a nature based tourism business, Gardendwellers, from Church's Ferry. (written testimony)

**Senator Erbele** asked if the 25% of income figure for nature based tourism applies to household income.

**Ms. Tweeten** said yes, there was a range but the average was 25% of household income.

**Senator Taylor** said Anita Thomas had already worked the proposed change into the amendments.

**Daryl Dukart**, General Manager of Cloverdale Grower's Alliance, testified in favor of the bill.

(written testimony) (meter 5129)

**Senator Klein** asked if all his hogs are sold in North Dakota.

**Mr. Dukart** said yes, all are sold to Cloverdale where half come from other states or Canada.

**Senator Klein** asked if we could have North Dakota pork at the meat counter.

**Mr. Dukart** said he is in the process of such a program, in the very early stages that would be packed and co-labeled with Cloverdale as a North Dakota product.

**Senator Flakoll** asked how long should an animal be in North Dakota to be North Dakota certified. (meter 5756)

**Mr. Dukart** said certain labeling laws, for organic products, the animal must be conceived in the area, In pork, he supports being in North Dakota from birth through finishing.

**Senator Klein** asked he hear Bob Humann from the Bank of North Dakota again. (meter 6117)

**Senator Klein** asked what other guarantee programs we are currently using and what are the caps.

**Mr. Humann** said there are two other loan guarantee programs. The beginning entrepreneur program is an 85% guarantee with local lenders and is capped at \$4 million. The real estate program is at \$5 million. The \$30 million cap figure was computed by taking the 30,000 head the Agriculture Department wants to grow the cattle feeding industry times \$1000 per head. He thinks the changes they will actually get \$30 million in loans in one biennium are very slim.

**Senator Klein** asked why established feedlot operators would need the Bank of North Dakota guarantee.

**Mr. Humann** said established feedlot operators won't want to use the guarantee program. They have established lines of credit and are paying market interest rates and they would not want to pay the guarantee fee. It will be the started feedlots that would use the program.

Written testimony in favor of the bill was also submitted by two people who could not stay to testify, Karen Daly, a member of a local farmers market and Karen Ehrens, Legislative Chair for the North Dakota Dietetic Association.

Chairman Flakoll closed the hearing on SB 2147. (Tape 2 side A meter 226)

**Senator Urlacher** said he has two bills in Finance and Tax that are along the same lines as this bill. He would like to discuss the similarities with the sponsors.

**Senator Flakoll** said we have to get SB 2147 out of committee in two weeks.

**Senator Taylor** said Senator Wardner is the lead sponsor of the 2 bills in Finance and Tax.

**Senator Wardner** would like to get those bills through the system and if all are approved, have legislative council meld the bills at the end of the session.

**Senator Klein** said there are some conflicts with the Agriculture tax investment credit bill. He is looking to amend his bill to include the facilities and move it forward that way. In visiting with **Mr. Becker** in the Tax Department, there may be some problems in keeping them separate. The other concern is getting this through the system. We need to keep it as clean as possible when it goes to appropriations. Perhaps he should get together with Senator Taylor. Maybe striking section 5 and trying to fix the other bill to add these facilities would be an idea. (meter 568)

**Senator Flakoll** asked if Senator Taylor and Senator Klein could discuss the matter this afternoon.

**Senator Klein** said they would get on it right away. Regarding the farmers market, would it put the bill in detriment. We don't want to lose the bill because of one section.

**Senator Taylor** said the sunset is in the loan guarantee. He tends to agree with Wade Moser's testimony, that 09 would be better and wouldn't affect the fiscal note.

**Senator Urlacher** said an 09 sunset might be hard to sell.

**Senator Flakoll** said if we went to an 09 sunset, could we ask for a report in 07.

**Senator Erbele** asked if we are going to address Bank of North Dakota's concern about the \$30 million.

**Senator Klein** said we have to address it. Mr. Humann has a good point about the established feedlots not using the program. Lets get the program going.

**Senator Taylor** said the use of the program by established feedlots, the use would be by cattlemen putting cattle in the feedlot and there is a potential for use in that situation. He is open for discussion on the \$30 million figure. The bank doesn't need to be concerned about a lot of exposure.

**Senator Klein** said if the bank doesn't like the way we right the rules, they might not be enthusiastic about making the loans. He will contact Mr. Humann to meet this afternoon with he and Senator Taylor.

**Senator Flakoll** said regarding the report back to the legislature in 07, maybe to this committee.

**Senator Klein** said we might not see much progress by then.

**Senator Taylor** said he would like to hear from Bank of North Dakota.

**Senator Flakoll** said he would like to hear from the Agriculture Department.

**Senator Klein** said we may hear from producers. It would be fun to see growth.

**Senator Taylor** said the feeder council from the North Dakota Stockmen's Association would have something to contribute.

**Senator Erbele** asked if the development of the criteria for the certified beef program will be left to the entities.

**Senator Flakoll** said yes, does that concern him.

**Senator Erbele** said it could be a problem if cattle need to be born in North Dakota. As they develop the program, the conception to death concept could cause problems.

**Senator Flakoll** said there will be vigorous discussion on it. Another problem will be year round supply.

**Senator Taylor** said regarding expansion, it is his intent to include expansions of feedlots and he will be sure the language is correct.

**Senator Klein** said it would be beneficial to discuss this again tomorrow.

**Roger Johnson**, Agriculture Commissioner, had a long discussion with Bob Humann from the Bank of North Dakota in the hall. The wording in the amendment is very different than the original language, The bank has a hang up with the 15%. The bank wants more flexibility. They will meet with Senator Taylor, Senator Klein, Bob Humann and the Agriculture Department staff this afternoon.

**Senator Urlacher** said the bank wants the flexibility to deal with individual operators.

**Mr. Johnson** said the bank's biggest concern is if there is a 15% equity level required for the producer and the bank at 85%, that is 100% and leaves no risk for the lead lender. This needs to be discussed. The lead lender needs to have some risk so there is an incentive to service the loan.

Chairman Flakoll adjourned the meeting of the Senate Agriculture Committee. (meter 2270)




2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2147

Senate Agriculture Committee

Conference Committee

Hearing Date January 21, 2005

Tape Number	Side A	Side B	Meter #
1	x		520 - 3629
Committee Clerk Signature 			

Minutes:

Chairman Flakoll opened the discussion on SB 2147. He asked for the current status on the bill. **Senator Taylor** said he met yesterday with representatives of the Agriculture Department, Senator Klein and Bob Humann from the Bank of North Dakota. They concentrated on section 3, the hog house amendment Senator Taylor distributed yesterday to the committee. He has taken the amendment to Anita Thomas and she is working on it.

Regarding the \$30 million cap on the loan guarantee, they have decided to take it out. They would expect the bank to aggressively seek loans. Subsection 2 will be left alone with the Bank of North Dakota guaranteeing 85% of the principal, the lead lender could be responsible for the other 15%. The Bank of North Dakota wanted to share the risk with the lead lender. Subsection 4 would be slightly amended so the established equity requirements would not exceed 15%.

**Senator Flakoll** asked if insurance is available against catastrophe.

Page 2

Senate Agriculture Committee  
Bill/Resolution Number SB 2147  
Hearing Date January 21, 2005

**Senator Taylor** said when he has fed cattle in custom yards, there was a low priced insurance for natural disaster, it wouldn't insure against sickness.

**Senator Flakoll** asked if the bank would require it.

**Senator Taylor** said they did not say.

**Senator Klein** said Bob Humann's concern was that the program wouldn't be used much. This made Senator Klein more comfortable with removing the \$30 million cap. There is a 1 1/2% guarantee fee. The large feedlot operators won't use this program. They already have a lender and they won't want to pay the fee.

**Senator Flakoll** asked about the level of resistance at the Bank of North Dakota.

**Senator Taylor** said with this language, he thought they would be 100% behind it. When Bob Humann testified yesterday, he had not seen the hog house amendment and the original bill did not have the 85% language in subsection 2.

**Senator Flakoll** talked about the schedule for next week.

**Senator Taylor** said he will be gone on Thursday with the state vet for a national animal ID fact finding trip. (meter 1052).

**Senator Erbele** will be gone on Friday.

**Senator Klein** discussed the sales tax exemption. Was there a concern about the language for "new" construction.

**Senator Taylor** said they wanted to be sure the bill allowed expansion as well.

**Gary Anderson** from the tax department said he would like to know the committee's intent. If the intent is to include expansion, he would recommend an amendment to be sure the language is clear. (meter 1162)

**Senator Klein** asked about the sales tax exemption on farm parts. How does the tax department define farm part.

**Mr. Anderson** said on farm parts, they have told retailers to take the producers word. The only time a retailer would question that a purchase is a farm part is if it seems highly unlikely. There is a different process for construction of facilities. They usually work with the owner or contractor. They can have an auditor there to clarify at the beginning of a large project. The contractor then sends an itemized list. If the tax department is concerned, they can always send an auditor out. (meter 1283)

**Mr. Anderson** said with the expansion language, you couldn't just replace a piece of equipment and call it expansion unless the upgrade increased output. For example, to replace a feed wagon would not be expanding unless it was considerably bigger.

**Senator Klein** asked about the fiscal note.

**Mr. Anderson** said he talked to their research analyst. The fiscal note was based on the original bill which she interpreted to be structural material. Based on the amendments distributed yesterday, machinery and equipment would be included so the tax department will adjust the fiscal note.

**Senator Klein** asked if a loader tractor would qualify.

**Mr. Anderson** said they would be looking for direction from the committee on this. If a tractor was also used for a farming operation, would a percentage qualify or would it only be equipment used exclusively for the feedlot operation. There may be a need for an amendment.

**Senator Taylor** said he thinks the "exclusive" language is in the dairy bill, SB 2178.

**Senator Flakoll** asked if a feedlot owner could replace all the planks in a 100' X 100' feedlot and change the size to 110' X 110'.

**Mr. Anderson** said they would look to the experts, perhaps the Agriculture Department. Usually if the tax department needs clarification, they draft a rule. It is important to understand intent.

**Senator Flakoll** asked if there would be pre qualification necessary, it could save a lot of heartache.

**Senator Urlacher** said it is likely, in the case of a tractor, a portion of the use would be for another enterprise. Could the tax department assign a percentage?

**Mr. Anderson** said that is a policy issue. The tax department will administer the policy. In their eyes, exclusive means 100%. They usually take a farmers word, there has been very little abuse in the agriculture sector. (meter 2150)

**Mr. Anderson** will have amendments drawn and will work with Senator Taylor to roll the amendments together.

**Senator Klein** asked if Joe Becker from the tax department could answer some questions about the investment tax credit. There is a conflict in section 5 of the amendments. There are three bills that affect chapter 57. Can we create separate sectors of chapter 57, the current language reads agricultural commodity processing facility. Are we intertwining too much. How can we segregate this thing. (meter 2302)

**Joe Becker** said that is a good question. This is also an issue with SB 2032, the seed capital bill, also SB 2178 in Finance and Tax, the dairy bill. The Agriculture Department seems to want similar language put everywhere but we now have a number of tax credits going to the same

taxpayer. He doesn't know the solution. One approach would be to make them mutually exclusive, not to allow doubling up. (meter 2520)

**Senator Klein** said if 2147 passes with 50% and 2281 passes with 30%, can we have all those percentages.

**Mr. Becker** said that is a good question for legislative council and how they marry together bills. He would assume they would bring in the 50% and substitute it. The two bills will go together, no provision knocks head with each other.

**Senator Klein** said even if we strike that portion in 2147 and fix it in 2281 and also fix it in the other bill, there is going to be a lot of discussion about the percentage.

**Mr. Becker** said in the discussion on the seed capital bill, and Senator Klein was part of the discussion, they were given direction from the consensus of the group (Lt. Governor, Chairman Belter, Senator Klein and Representative Keiser), and he believes the commerce department is coming up with some language, to segregate the seed capital from the agriculture commodity credit which is Senator Klein's concern in 2281 and this bill.

**Senator Klein** said 2281 also sets a cap of \$250,000 per investor and also only allows 10 qualified projects. The biggest issue is trying to get a handle on the fiscal note.

**Mr. Becker** said that is a tough call for the tax department. If the new definition here which will allow some additional folks in and under 2281 opens up to corporations and partnerships, that will expand the group and we don't know who will come in under those new guidelines.

**Senator Klein** said that is why there are caps. We need to get all the players together again.

**Mr. Becker** said if both bills pass in current form, there would be a \$50,000 maximum credit per taxpayer per year, overall cap would be \$250,000 maximum lifetime. (meter 3053)

Page 6

Senate Agriculture Committee  
Bill/Resolution Number SB 2147  
Hearing Date January 21, 2005

**Senator Flakoll** asked if 2147 is designed for individuals?

**Mr. Becker** said 2147 would not change who could take the credit and that is limited to individuals, estates, trusts and partnerships with a pass through to individuals, estates and trusts.

**Senator Flakoll** said we want to stay away from creative marketing that would provide kickbacks.

**Mr. Becker** said 2281 would expand the tax credit to essentially anybody, they are looking for outside money.

**Senator Klein** asked if 2147 strikes the 51% rule.

**Mr. Becker** said no. (meter 3368)

**Senator Taylor** said 2147 and 2178 are for smaller projects but could be more than 10 projects and the intent is to stimulate production projects.

2281 is for larger projects (i.e. ethanol plants) and limited to 10 projects.

**Mr. Becker** said 2178 is for a credit to the owner of a dairy farm operation, a credit for machinery, equipment, structural materials for their operation. 2147 and 2281 there is a distinction, the entity has to go the division of economic development and finance and be certified before the credit is given. Commerce has some control over the projects and whether they meet the conditions. If the owner of a dairy farm operation applies for E D & F for certification, could they put their own money into the operation and qualify for both. There is a possibility for crossover. (meter 3629)

Chairman Flakoll closed the discussion on SB 2147.


2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2147

Senate Agriculture Committee

Conference Committee

Hearing Date January 27, 2005

Tape Number	Side A	Side B	Meter #
1	x		1,990 - 2110
Committee Clerk Signature 			

Minutes:

Chairman Flakoll opened the discussion on SB 2147. All members were present except Senator Taylor. Kathleen Tweeten, North Dakota Extension Department, provided the information requested by the committee regarding research on nature based tourism. It has been placed in the committee's bill books.

Chairman Flakoll said Senator Taylor has been working on the amendments and will have them tomorrow.

Senator Klein said he has some concerns on the agricultural investment tax credit portion of the bill and Senator Taylor has adjusted the percentage on this bill.

Chairman Flakoll said the committee won't work on the bill today because Senator Taylor is gone. The bill needs to move on to appropriations a week from today.

Chairman Flakoll closed the discussion on SB 2147.

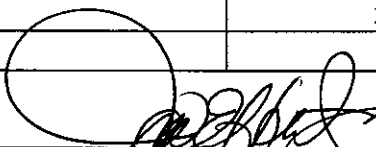
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2147

Senate Agriculture Committee

Conference Committee

Hearing Date January 28, 2005

Tape Number	Side A	Side B	Meter #
1	x		3077 - 5856
1		x	3860 - 4102
Committee Clerk Signature 			

Minutes:

Chairman Flakoll opened the discussion on SB 2147. All members were present except Senator Erbele.

**Senator Taylor** distributed amendments 58161.0102 and walked the committee through the amendments. The amendments reflect the meetings that Senator Taylor has had with the interested parties since the bill was heard. The first change is in section 3, in the livestock loan guarantee, the \$30 million cap was removed. Everything else is the same including the 85% guarantee by the bank. Added language that equity requirements must not exceed 15% as they discussed with the Bank of North Dakota and other interested parties.

**Senator Klein** asked if the Bank of North Dakota is okay with the 15% in the last line. (meter 3311) Section 4 has been shortened considerably, due to some concerns about potentially conflicting with other legislation. They have kept the expanded definition of facilities available for the tax credit. Before they had reprinted large sections of the code because they had struck



30% and added 50%. In visiting with interested parties, they have decided to keep it at 30%. In section 5, changes from the tax department and from committee in discussion, they have included expansion of feedlots as well as new constructions. The term "gross receipts" is used because it relates to streamlined sales tax. Section 6 carries on with adding the language of gross receipts.

**Senator Klein** asked if there is a new fiscal note (meter 3570) based on the amendments.

**Senator Taylor** said this will certainly decrease the fiscal note with the change from 50% to 30% on the sales tax.

**Senator Flakoll** said if we pass this out as amended, there will need to be a new fiscal note. We may have to request it.

**Senator Taylor** said section 7 is the report to the committee we asked for on the loan guarantee in the next legislative session. Related to that is section 10 with the expiration date of 2009.

**Senator Flakoll** asked if the 5 year requirement for a facility not to be used for livestock production since the time of exemption, has that been changed.

**Senator Taylor** said its still five years.

**Senator Flakoll** said that one bothers him a little.

**Senator Taylor** said he could go along with three years.

**Senator Flakoll** said the five year limit looks negative on the bill.

**Senator Taylor** said there are some lengthy construction times. Three years would be workable.

**Senator Seymour** said the Beef System Center of Excellence isn't even off the ground and its been two years. It takes time for some of these things.

**Senator Flakoll** said that is a matching fund program.

**Senator Klein** said it is more of a concept.

**Senator Klein** said he senses some issues with sections 8 and 9 with appropriations. We will continue to see any number of bills with tax credit, sales tax exemption. We may not recognize it when we get it back from appropriations.

**Senator Urlacher** said if we pass the amendments, we should be able to get a fiscal note. There are some dairy bills in Finance and Tax with hefty fiscal notes.

**Senator Klein** said that dairy bill also taps into the chapter 57 agricultural investment tax credit. Red Trail is using it too. Some of the dollars will be used.

**Senator Klein** asked if 3 will be more palatable than 5.

**Senator Taylor** said he is not tied to 5. He thinks they will seize on other things. The tax department suggested these changes.

**Senator Taylor** moved a do pass on the amendments 58161.0102 for SB 2147..

**Senator Urlacher** seconded the motion.

The motion passed on a roll call vote 5-0-1.

**Senator Taylor** moved a do pass as amended and rerefer to appropriations on SB 2147.

**Senator Urlacher** asked if we would wait to act on the bill until we have a new fiscal note.

**Senator Klein** said he understands the Finance and Tax chairman wanting to see the fiscal note.

**Senator Taylor** asked about the timeline.

**Senator Flakoll** said we have 2 more notes with fiscal notes and this bill and all have to be out of committee by next Thursday.

**Senator Klein** said this bill could end up going to the floor with no money in it.

**Senator Flakoll** said that has happened.

**Senator Klein** said they could find one little section to fund.

**Senator Klein** said he understands Senator Urlacher's concerns but he thinks we need to move it along and let it have its day in appropriations. We need to give this type of agriculture a shot. The policy would be in place.

**Senator Urlacher** said the 2 other bills in Finance and Tax deal with dairies, the type of animal agriculture that returns money the fastest. This bill has quite a fiscal note. How much can we stand.

**Senator Klein** said if we had the fiscal note by next Thursday. Could we come in early.

**Senator Urlacher** asked if other committee members are comfortable.

**Senator Taylor** estimated the fiscal effect of the amendment.

**Senator Klein** said he guessed the fiscal note would still be \$1 million. He is not comforted by the fiscal note. Lets give it the light of day in appropriations.

**Senator Flakoll** said the bill is better through the process. The committee standpoint is sometimes for policy and let appropriations handle the money.

**Senator Klein** recommended the committee wait until committee work to act on the bill.

**Senator Taylor** withdrew his motion.

**Senator Urlacher** said he is all agriculture but he is sensing a backlash from the city folks and you have to get something passed before it is effective. When you get the backlash, it is more difficult to get things passed.

**Senator Taylor** said you have to sell the concept and explain the economic effect to our urban members. We can do that.

**Senator Urlacher** said we have to make them recognize the benefits they receive.

Page 5

Senate Agriculture Committee  
Bill/Resolution Number SB 2147  
Hearing Date January 28, 2005

**Senator Flakoll** said the same people testify in this committee for reductions and in the education committee they testify we are not spending enough on education and its driving up their property tax.

**Senator Taylor** said he will call the tax department ask them to get started on the new fiscal note

**Senator Taylor** moved a do pass as amended and rerefer to appropriations on SB 2147. (meter 3938, tape 1, side B)

**Senator Klein** seconded the motion.

**Senator Urlacher** said he might have some reservations on the floor.

The motion passed on a roll call vote 5-0-1. **Senator Taylor** will carry the bill.

**FISCAL NOTE**  
 Requested by Legislative Council  
 03/18/2005

Amendment to:            Reengrossed  
    SB 2147

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

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Appropriations</b>	\$0	\$0	\$0	\$0	\$0	\$0

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

This legislation has no fiscal effect as amended.

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

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

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

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

<b>Name:</b>	Jeff Weispfenning	<b>Agency:</b>	Agriculture
<b>Phone Number:</b>	328.4758	<b>Date Prepared:</b>	03/18/2005

**FISCAL NOTE**  
**Requested by Legislative Council**  
02/15/2005

Amendment to:           Engrossed  
                                  SB 2147

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

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Appropriations</b>	\$0	\$0	\$0	\$0	\$0	\$0

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

This legislation has no fiscal effect as amended.

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

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

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

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

<b>Name:</b>	Jeff Weispfenning	<b>Agency:</b>	Agriculture
<b>Phone Number:</b>	328.4758	<b>Date Prepared:</b>	02/15/2004

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/02/2005

Amendment to: SB 2147

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

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	(\$782,000)	(\$68,000)	(\$782,000)	(\$68,000)
<b>Expenditures</b>	\$0	\$0	\$200,000	\$0	\$0	\$0
<b>Appropriations</b>	\$0	\$0	\$200,000	\$0	\$0	\$0

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

This legislation provides \$100,000 of general funds for a North Dakota certified beef program, expands the ag processing business investment tax credit, provides a state sales tax refund related to construction materials related to new livestock facilities and provides \$100,000 of general funds to promote farmers markets.

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.*

The following were developed in consultation with the Tax Department:

1. We are unable to estimate the impact on general fund revenues of the expansion of the definition of "agricultural processing facility."
2. Providing sales tax refunds for materials used in constructing livestock facilities is estimated to reduce revenues by \$850,000. The reduction would be \$782,000 to the general fund and \$68,000 to the state aid distribution fund.

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.*

1. The North Dakota certified beef program would increase expenditures for the Department of Agriculture to develop and promote such a program. No FTE's are proposed.
2. The farmers' market promotion appropriation would increase expenditures by the Department of Agriculture to organize new farmers' markets and promote new and existing farmers' markets. No FTE's are proposed.

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

The North Dakota certified beef program and the farmers' market promotion program will increase the Department of Agriculture appropriation by a total of \$200,000. These amounts are not included in the executive budget.

<b>Name:</b>	Jeff Weispfenning	<b>Agency:</b>	Agriculture
<b>Phone Number:</b>	328.4758	<b>Date Prepared:</b>	02/04/2005



**FISCAL NOTE**  
**Requested by Legislative Council**  
01/03/2005

Bill/Resolution No.: SB 2147

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

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	(\$947,000)	(\$68,000)	(\$947,000)	(\$68,000)
<b>Expenditures</b>	\$0	\$0	\$200,000	\$0	\$0	\$0
<b>Appropriations</b>	\$0	\$0	\$200,000	\$0	\$0	\$0

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

This legislation provides \$100,000 of general funds for a North Dakota certified beef program, makes changes to Ag Products Utilization Commission authorities, creates a livestock loan guarantee program at the Bank of North Dakota, expands the ag processing business investment tax credit, provides a state sales tax refund related to construction materials related to new livestock facilities and provides \$100,000 of general funds to promote farmers markets.

**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.*

The following were developed in consultation with the Tax Department:

1. The current ag processing income tax credit is estimated to reduce general fund revenues by \$125,000 per year. Increasing this credit from 30% of the investment to 50% of the investment is estimated to reduce revenues by \$165,000 per biennium.

2. We are unable to estimate the impact on general fund revenues of the expansion of the definition of "agricultural processing facility."

3. Providing sales tax refunds for materials used in constructing livestock facilities is estimated to to reduce revenues by \$850,000. The reduction would be \$782,000 to the general fund and \$68,000 to the state aid distribution fund.

**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.*

1. The North Dakota certified beef program would increase expenditures for the Department of Agriculture to develop and promote such a program. No FTE's are proposed.

2. The farmers' market promotion appropriation would increase expenditures by the Department of Agriculture to organize new farmers' markets and promote new and existing farmers' markets. No FTE's are proposed.

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

The North Dakota certified beef program and the farmers' market promotion program will increase the Department of Agriculture appropriation by a total of \$200,000. These amounts are not included in the executive budget.

<b>Name:</b>	Jeff Weispfenning	<b>Agency:</b>	Agriculture
<b>Phone Number:</b>	328.4758	<b>Date Prepared:</b>	01/11/2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2147

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 4-01, a new section to chapter 6-09, and a new section to chapter 57-39.2 of the North Dakota Century Code, relating to the establishment of a beef marketing and a livestock loan guarantee program and to provide a sales tax exemption; to amend and reenact section 4-14.1-03.1, subsection 1 of section 57-38.6-01, and section 57-38.6-03 of the North Dakota Century Code, relating to agricultural grants and tax credits; to provide an appropriation; and to provide an effective date.

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

**SECTION 1.** A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Beef marketing program - Establishment. The agriculture commissioner shall establish a source-verified and process-verified beef marketing program in consultation with the state board of animal health, the North Dakota stockmen's association, the North Dakota state university beef systems center of excellence, and the United States department of agriculture.

**SECTION 2. AMENDMENT.** Section 4-14.1-03.1 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-03.1. Agricultural products utilization commission - Authority.**

1. The North Dakota agricultural products utilization commission may apply for, accept, and expend any appropriation, grant, gift, or service made available from public or private sources consistent with the purpose of this chapter.
2. The commission may administer grant programs consistent with the purpose of this chapter including ~~a~~:
  - a. A basic and applied research grant program;
  - b. A utilization and marketing grant program;
  - c. A cooperative marketing grant program;
  - d. A nature-based tourism grant program;
  - e. A technical assistance grant program for value-added businesses;
  - f. A farm diversification grant program;
  - g. An agricultural prototype development grant program; and e
  - h. A North American marketing grant program.
3. ~~The~~ As a condition of the grant, the commission may require, by contract, repayment of a grant, in whole or in part, that the recipient repay some or all of the grant if the grant recipient does not fulfill the conditions under

which the grant was awarded of the grant. Repayment may be monetary or may be of any other type or method determined by the commission to be in the public interest.

**SECTION 3.** A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

**Livestock loan guarantee program - Establishment - Rules.**

1. The Bank of North Dakota shall establish and administer a livestock loan guarantee program that is designed to expand livestock feeding in this state.
2. Under the program, the Bank may guarantee a loan made by a bank, a credit union, a savings and loan association, or any other lending institution in this state to the owner of a commercial feedlot that backgrounds or feeds cattle to harvest-ready weight. In the event of a default, the Bank shall pay to the lender the amount agreed upon, provided that the amount may not exceed eighty-five percent of the principal due the lender at the time the claim is approved.
3. The Bank may have no more than thirty million dollars in outstanding loan guarantees under this section.
4. The Bank shall adopt rules governing additional terms, conditions, and procedures necessary to meet the requirements of this section. The rules shall include an administrative fee payable to the Bank.

**SECTION 4. AMENDMENT.** Subsection 1 of section 57-38.6-01 of the North Dakota Century Code is amended and reenacted as follows:

1. "Agricultural commodity processing facility" means a facility that through processing involving the employment of knowledge and labor an agricultural operation that adds value to an agricultural commodity capable of being raised in this state and includes dairy operations, livestock feedlot operations, and swine feeding and finishing operations.

**SECTION 5. AMENDMENT.** Section 57-38.6-03 of the North Dakota Century Code is amended and reenacted as follows:

**57-38.6-03. Agricultural business investment tax credit.** If a taxpayer makes a qualified investment in a qualified business, the taxpayer is entitled to a credit against state income tax liability as determined under section 57-38-29 or 57-38-30.3. The amount of the credit to which a taxpayer is entitled is ~~thirty~~ fifty percent of the amount invested by the taxpayer in qualified businesses during the taxable year, subject to the following:

1. The aggregate annual investment for which a taxpayer may obtain a tax credit under this section is not more than twenty thousand dollars. This subsection may not be interpreted to limit additional investment by a taxpayer for which that taxpayer is not applying for a credit.
2. In any taxable year, a taxpayer may claim no more than fifty percent of the credit under this section which is attributable to qualified investments in a single taxable year. The amount of the credit allowed under this section for any taxable year may not exceed fifty percent of the taxpayer's tax liability as otherwise determined under chapter 57-38.

3. Any amount of credit under this section not allowed because of the limitations in this section may be carried forward for up to fifteen taxable years after the taxable year in which the investment was made.
4. A partnership that invests in a qualified business must be considered to be the taxpayer for purposes of the investment limitations in this section and the amount of the credit allowed with respect to a partnership's investment in a qualified business must be determined at the partnership level. The amount of the total credit determined at the partnership level must be allowed to the partners, limited to individuals, estates, and trusts, in proportion to their respective interests in the partnership.
5. The investment must be at risk in the business. A qualified investment must be in the form of a purchase of ownership interests or the right to receive payment of dividends from the business. An investment for which a credit is received under this section must remain in the business for at least three years.
6. The entire amount of an investment for which a credit is claimed under this section must be expended by the qualified business for plant, equipment, research and development, marketing and sales activity, or working capital for the qualified business.
7. The tax commissioner may disallow any credit otherwise allowed under this section if any representation by a business in the application for certification as a qualified business proves to be false or if the taxpayer or qualified business fails to satisfy any conditions under this section or any conditions consistent with this section otherwise determined by the tax commissioner. The amount of any credit disallowed by the tax commissioner that reduced the taxpayer's income tax liability for any or all applicable tax years, plus penalty and interest provided under section 57-38-45, must be paid by the taxpayer.

**SECTION 6.** A new section to chapter 57-39.2 of the North Dakota Century Code is created and enacted as follows:

**Sales tax exemption - Production livestock facility construction.**

1. Gross receipts from the sale of machinery, equipment, and structural materials incorporated into a production livestock facility during or at the time of the facility's construction are exempt from taxes under this chapter for the period beginning after June 30, 2005, and ending as of July 1, 2009.
2. The owner of the production livestock facility may apply to the commissioner for a refund of any taxes paid by a contractor, subcontractor, or builder if those taxes are claimable as an exemption under this section. The application for a refund must be made at the time and in the manner directed by the commissioner.
3. If the production livestock facility is not operational as a production livestock facility within five years from the date of the earliest refund to the facility's owner under this section, the owner of the facility is liable for the repayment of all exemptions granted to the owner under this section.
4. For purposes of this section, a "production livestock facility" does not include grain bins or other storage structures incidental to livestock production.

**SECTION 7. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$100,000,

or so much of the sum as may be necessary, to the agriculture commissioner for the purpose of administering the beef marketing program, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 8. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the agriculture commissioner for the purpose of administering the farmers' market development and promotion program, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 9. EFFECTIVE DATE.** Section 5 of this Act is effective for taxable years beginning after December 31, 2004."

Renumber accordingly

Amendment 28  
5-0

PROPOSED AMENDMENTS TO SENATE BILL NO. 2147

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 4-01, a new section to chapter 6-09, a new section to chapter 57-39.2, and a new section to chapter 57-39.5 of the North Dakota Century Code, relating to the establishment of a beef marketing and a livestock loan guarantee program and to provide a sales tax exemption; to amend and reenact section 4-14.1-03.1 and subsection 1 of section 57-38.6-01 of the North Dakota Century Code, relating to agricultural grants; to provide for a report; to provide an appropriation; and to provide an expiration date.

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

**SECTION 1.** A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

**Beef marketing program - Establishment.** The agriculture commissioner shall establish a source-verified and process-verified beef marketing program in consultation with the state board of animal health, the North Dakota stockmen's association, the North Dakota state university beef systems center of excellence, and the United States department of agriculture.

**SECTION 2. AMENDMENT.** Section 4-14.1-03.1 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-03.1. Agricultural products utilization commission - Authority.**

1. The North Dakota agricultural products utilization commission may apply for, accept, and expend any appropriation, grant, gift, or service made available from public or private sources consistent with the purpose of this chapter.
2. The commission may administer grant programs consistent with the purpose of this chapter including a:
  - a. A basic and applied research grant program;
  - b. A utilization and marketing grant program;
  - c. A cooperative marketing grant program;
  - d. A nature-based tourism grant program;
  - e. A technical assistance grant program for value-added businesses;
  - f. A farm diversification grant program;
  - g. An agricultural prototype development grant program; and
  - h. A North American marketing grant program.
3. The As a condition of the grant, the commission may require, by contract, repayment of a grant, in whole or in part, that the recipient repay some or all of the grant if the grant recipient does not fulfill the conditions under

which the grant was awarded of the grant. Repayment may be monetary or may be of any other type or method determined by the commission to be in the public interest.

**SECTION 3.** A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

**Livestock loan guarantee program - Establishment - Rules.**

- 50 million  
Cap PA*
1. The Bank of North Dakota shall establish and administer a livestock loan guarantee program that is designed to expand livestock feeding in this state.
  2. Under the program, the Bank may guarantee a loan made by a bank, a credit union, a savings and loan association, or any other lending institution in this state to the owner of a commercial feedlot that backgrounds or feeds cattle to harvest-ready weight. In the event of a default, the Bank shall pay to the lender the amount agreed upon, provided that the amount may not exceed eighty-five percent of the principal due the lender at the time the claim is approved.
  3. The Bank shall adopt rules governing additional terms, conditions, and procedures necessary to meet the requirements of this section. The rules must include an administrative fee payable to the Bank and must provide that equity requirements may not exceed fifteen percent.

**SECTION 4. AMENDMENT.** Subsection 1 of section 57-38.6-01 of the North Dakota Century Code is amended and reenacted as follows:

- ↑*
1. "Agricultural commodity processing facility" means a facility that through processing involving the employment of knowledge and labor an agricultural operation that adds value to an agricultural commodity capable of being raised in this state and includes dairy operations, livestock feedlot operations, and swine feeding and finishing operations.

**SECTION 5.** A new section to chapter 57-39.2 of the North Dakota Century Code is created and enacted as follows:

**Sales tax exemption - Production livestock facility construction.**

- 30%*
1. Gross receipts from the sale of machinery, equipment, and structural materials incorporated into a new or expanding production livestock facility during or at the time of the facility's construction are exempt from taxes under this chapter for the period beginning after June 30, 2005, and ending as of July 1, 2009.
  2. The owner of the production livestock facility may apply to the commissioner for a refund of any taxes paid by a contractor, subcontractor, or builder if those taxes are claimable as an exemption under this section. The application for a refund must be made at the time and in the manner directed by the commissioner.
  3. If the production livestock facility is not operational as a production livestock facility within five years from the date of the earliest refund to the facility's owner under this section, the owner of the facility is liable for the repayment of all exemptions granted to the owner under this section.
  4. For purposes of this section, "livestock" means beef and dairy cattle, hogs, poultry, and sheep and "production livestock facility" does not include grain bins or other storage structures incidental to livestock production.



**SECTION 6.** A new section to chapter 57-39.5 of the North Dakota Century Code is created and enacted as follows:

**Gross receipts tax exemption - Production livestock facility construction - Farm machinery and equipment.** Gross receipts from the sale of farm machinery and equipment incorporated into a new or expanding production livestock facility at the time of the facility's construction and used exclusively in the production livestock facility are exempt from taxes under this chapter for the period beginning after June 30, 2005, and ending as of July 1, 2009. For purposes of this section, "livestock" means beef and dairy cattle, hogs, poultry, and sheep.

**SECTION 7. REPORT TO COMMITTEES.** Between the first and tenth legislative days of the regular session of the sixtieth legislative assembly as selected by the legislative council, the agriculture commissioner, the Bank of North Dakota, and the North Dakota stockmen's association shall provide a joint report regarding the livestock loan guarantee program to the standing agriculture committee of each house of the legislative assembly.

**SECTION 8. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the agriculture commissioner for the purpose of administering the beef marketing program, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 9. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the agriculture commissioner for the purpose of administering the farmers' market development and promotion program, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 10. EXPIRATION DATE.** Section 3 of this Act is effective through June 30, 2009, and after that date is ineffective."

Renumber accordingly

Date: 1/28/05  
Roll Call Vote # 1

**2005 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2147**

Senate Agriculture Committee

Check here for Conference Committee

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

Action Taken No pass amendment 58161-0102

Motion Made By Sen. Taylor Seconded By Sen. Urlacher

Senators	Yes	No	Senators	Yes	No
Senator Flakoll	✓		Senator Seymour	✓	
Senator Erbele	A		Senator Taylor	✓	
Senator Klein	✓				
Senator Urlacher	✓				

Total (Yes) 5 No 0

Absent 1

Floor Assignment \_\_\_\_\_

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

Date: 1/28/05  
Roll Call Vote # 2

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2147

Senate Agriculture Committee

Check here for Conference Committee

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

Action Taken Do Pass + Re Refer to Approp <sup>with down</sup>

Motion Made By ST Seconded By \_\_\_\_\_

Senators	Yes	No	Senators	Yes	No
Senator Flakoll			Senator Seymour		
Senator Erbele			Senator Taylor		
Senator Klein					
Senator Urlacher					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Date: 1/28/05  
 Roll Call Vote # 2

**2005 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2147**

Senate Agriculture Committee

Check here for Conference Committee

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

Action Taken Do pass as amended + re refer to Appropriations

Motion Made By Sen. Taylor Seconded By Sen. Klein

Senators	Yes	No	Senators	Yes	No
Senator Flakoll	✓		Senator Seymour	✓	
Senator Erbele	A		Senator Taylor	✓	
Senator Klein	✓				
Senator Urlacher	✓				

Total (Yes) 5 No 0

Absent 1

Floor Assignment Sen. Taylor

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

**REPORT OF STANDING COMMITTEE**

**SB 2147: Agriculture Committee (Sen. Flakoll, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2147 was placed on the Sixth order on the calendar.**

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 4-01, a new section to chapter 6-09, a new section to chapter 57-39.2, and a new section to chapter 57-39.5 of the North Dakota Century Code, relating to the establishment of a beef marketing and a livestock loan guarantee program and to provide a sales tax exemption; to amend and reenact section 4-14.1-03.1 and subsection 1 of section 57-38.6-01 of the North Dakota Century Code, relating to agricultural grants; to provide for a report; to provide an appropriation; and to provide an expiration date.

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

**SECTION 1.** A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Beef marketing program - Establishment. The agriculture commissioner shall establish a source-verified and process-verified beef marketing program in consultation with the state board of animal health, the North Dakota stockmen's association, the North Dakota state university beef systems center of excellence, and the United States department of agriculture.

**SECTION 2. AMENDMENT.** Section 4-14.1-03.1 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-03.1. Agricultural products utilization commission - Authority.**

1. The North Dakota agricultural products utilization commission may apply for, accept, and expend any appropriation, grant, gift, or service made available from public or private sources consistent with the purpose of this chapter.
2. The commission may administer grant programs consistent with the purpose of this chapter including:
  - a. A basic and applied research grant program;
  - b. A utilization and marketing grant program;
  - c. A cooperative marketing grant program;
  - d. A nature-based tourism grant program;
  - e. A technical assistance grant program for value-added businesses;
  - f. A farm diversification grant program;
  - g. An agricultural prototype development grant program; and a
  - h. A North American marketing grant program.
3. ~~The~~ As a condition of the grant, the commission may require, by contract, repayment of a grant, in whole or in part, that the recipient repay some or

all of the grant if the grant recipient does not fulfill the conditions under which the grant was awarded of the grant. Repayment may be monetary or may be of any other type or method determined by the commission to be in the public interest.

**SECTION 3.** A new section to chapter 6-09 of the North Dakota Century Code is created and enacted as follows:

Livestock loan guarantee program - Establishment - Rules.

1. The Bank of North Dakota shall establish and administer a livestock loan guarantee program that is designed to expand livestock feeding in this state.
2. Under the program, the Bank may guarantee a loan made by a bank, a credit union, a savings and loan association, or any other lending institution in this state to the owner of a commercial feedlot that backgrounds or feeds cattle to harvest-ready weight. In the event of a default, the Bank shall pay to the lender the amount agreed upon, provided that the amount may not exceed eighty-five percent of the principal due the lender at the time the claim is approved.
3. The Bank shall adopt rules governing additional terms, conditions, and procedures necessary to meet the requirements of this section. The rules must include an administrative fee payable to the Bank and must provide that equity requirements may not exceed fifteen percent.

**SECTION 4. AMENDMENT.** Subsection 1 of section 57-38.6-01 of the North Dakota Century Code is amended and reenacted as follows:

1. "Agricultural commodity processing facility" means a facility that through processing involving the employment of knowledge and labor an agricultural operation that adds value to an agricultural commodity capable of being raised in this state and includes dairy operations, livestock feedlot operations, and swine feeding and finishing operations.

**SECTION 5.** A new section to chapter 57-39.2 of the North Dakota Century Code is created and enacted as follows:

Sales tax exemption - Production livestock facility construction.

1. Gross receipts from the sale of machinery, equipment, and structural materials incorporated into a new or expanding production livestock facility during or at the time of the facility's construction are exempt from taxes under this chapter for the period beginning after June 30, 2005, and ending as of July 1, 2009.
2. The owner of the production livestock facility may apply to the commissioner for a refund of any taxes paid by a contractor, subcontractor, or builder if those taxes are claimable as an exemption under this section. The application for a refund must be made at the time and in the manner directed by the commissioner.
3. If the production livestock facility is not operational as a production livestock facility within five years from the date of the earliest refund to the facility's owner under this section, the owner of the facility is liable for the repayment of all exemptions granted to the owner under this section.

4. For purposes of this section, "livestock" means beef and dairy cattle, hogs, poultry, and sheep and "production livestock facility" does not include grain bins or other storage structures incidental to livestock production.

**SECTION 6.** A new section to chapter 57-39.5 of the North Dakota Century Code is created and enacted as follows:

Gross receipts tax exemption - Production livestock facility construction - Farm machinery and equipment. Gross receipts from the sale of farm machinery and equipment incorporated into a new or expanding production livestock facility at the time of the facility's construction and used exclusively in the production livestock facility are exempt from taxes under this chapter for the period beginning after June 30, 2005, and ending as of July 1, 2009. For purposes of this section, "livestock" means beef and dairy cattle, hogs, poultry, and sheep.

**SECTION 7. REPORT TO COMMITTEES.** Between the first and tenth legislative days of the regular session of the sixtieth legislative assembly as selected by the legislative council, the agriculture commissioner, the Bank of North Dakota, and the North Dakota stockmen's association shall provide a joint report regarding the livestock loan guarantee program to the standing agriculture committee of each house of the legislative assembly.

**SECTION 8. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the agriculture commissioner for the purpose of administering the beef marketing program, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 9. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the agriculture commissioner for the purpose of administering the farmers' market development and promotion program, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 10. EXPIRATION DATE.** Section 3 of this Act is effective through June 30, 2009, and after that date is ineffective."

Renumber accordingly

2005 SENATE APPROPRIATIONS

SB 2147



2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2147

Senate Appropriations Committee

Conference Committee

Hearing Date February 7, 2005

Tape Number	Side A	Side B	Meter #
1	a	b	
Committee Clerk Signature <i>Jane T. Parks</i>			

Minutes:

**Chairman Holmberg** called for a roll call, all were present, and called the hearing on SB 2147 to order.

**Senator Ryan Taylor, seventh district**, as one of the sponsors, presented written testimony and testified on behalf of SB 2147. He indicated the bill is designed to stimulate activity in ND value added ag, one of the cornerstones of economic development. Every dollar invested in livestock agriculture turns over 4.5 times in the ND economy. He discussed an expansion of the ag business investment tax credit to include production livestock ventures and the sales tax exemption for new and expanding production livestock facilities.

Questions were raised about a beef check off program and why that couldn't be used.

**Roger Johnson, Agriculture Commissioner**, provided written testimony in support of SB 2147. He reviewed highlights of his written testimony as it relates to appropriations indicating livestock receipts represent 20 percent of the total agriculture receipts. Most of the feed produced in ND

goes out of state. He showed charts on crops/livestock mix in surrounding states, the multiplier effect in ND economy, the net return per head of calves in ND, charts on ND Farmer's markets, and how appropriations if approved, would be spent.

**Senator Bowman** indicated the success on this hinges on the Centers of Excellence. The response was that there have been negotiations with a couple of companies and believes that by spring there will be a partner.

**Karen Ehrens, Licensed, Registered Dietitian (LRD)** presented written testimony and testified in **support of SB 2047** and the portion relating to Farmers Markets. She indicated that providing funds to the ND Department Agriculture will provide access to grant funding for the Senior Farmers' Market Nutrition Program (SFMNP) which helps get fresh fruits and vegetables from producers to eligible low-income seniors.

No questions were raised.

**Karen Daly, member of the Local Farmers Market**, provided written testimony and testified in **support of SB 2147** as it relates to the farmers markets. She indicated that farmers markets are important to the communities because they impact businesses by drawing customers, provide opportunities to gather socially, provide opportunities to purchase fresh produce at reasonable rates, provide opportunities to support the senior nutrition program.

No questions were asked.

**Bonnie Munsch, member of Capital City Farmers Market**, provided written testimony and testified in **support of SB 2147**. She indicated that the program has helped farmers markets with marketing ideas, new growing techniques and weed and pest control solutions.

No questions were asked.

Page 3

Senate Appropriations Committee

Bill/Resolution Number 2147

Hearing Date February 07, 2005

**Woody Barth, representing 35,000 members of the ND Farmers Union,** presented written

testimony in **support of SB 2147.** He indicated his written testimony was his support.

No further questions were asked.

**Chairman Holmberg** closed the hearing on SB 2147.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2147

Senate Appropriations Committee

Conference Committee

Hearing Date 02/11/05

Tape Number	Side A	Side B	Meter #
2	x		1639-1826
Committee Clerk Signature <i>antjie</i>			

Minutes: **Chairman Holmberg** opened discussion on SB 2147.

**Sen. Grindberg**, moved a **DO NOT PASS**, seconded by Sen. Andrist.

**Sen. Mathern**: stated that this bill has merit is there any movement of any resources to another bill.

**Sen. Holmberg** said not to his knowledge.

A **DO NOT PASS** vote was taken 9 yeas, 3 nays, and 3 absent and not voting was recorded.

**Chairman Holmberg** closed meeting on SB 2147.

Date 2/11/05  
 Roll Call Vote #: 1

**2005 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. SB 2147**

Senate SENATE APPROPRIATIONS Committee

Check here for Conference Committee

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

Action Taken Do Not Pass

Motion Made By Grundberg Seconded By Andrist

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG	/		SENATOR KRAUTER		/
VICE CHAIRMAN BOWMAN	/		SENATOR LINDAAS	/	
VICE CHAIRMAN GRINDBERG	/		SENATOR MATHERN		/
SENATOR ANDRIST	/		SENATOR ROBINSON		
SENATOR CHRISTMANN			SEN. TALLACKSON		/
SENATOR FISCHER	/				
SENATOR KILZER	/				
SENATOR KRINGSTAD					
SENATOR SCHOBINGER	/				
SENATOR THANE	/				

Total (Yes) 9 No 3

Absent 3

Floor Assignment Grundberg

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

REPORT OF STANDING COMMITTEE (410)  
February 11, 2005 2:54 p.m.

Module No: SR-28-2621  
Carrier: Grindberg  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

SB 2147, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)  
recommends **DO NOT PASS** (9 YEAS, 3 NAYS, 3 ABSENT AND NOT VOTING).  
Engrossed SB 2147 was placed on the Eleventh order on the calendar.

2005 HOUSE AGRICULTURE

SB 2147

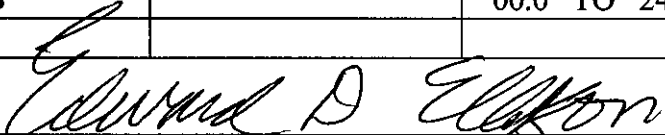
2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2147

House Agriculture Committee

Conference Committee

Hearing Date 3--04----05

Tape Number	Side A	Side B	Meter #
ONE	A		23.0 TO END
ONE	B		00.0 TO 24.0
Committee Clerk Signature 			

Minutes:

CHAIRMAN NICHOLAS: Committee Members, we will open on SB 2147

Senator Taylor is the prime sponsor on the bill.

SENATOR TAYLOR: DISTRICT 7. Sen. Taylor walked through the bill with committee.

Please read bill. The bill is relating to agricultural grants; to provide for a report; and to provide an expiration date. It allows for grants to keep business's going. Section two

As to livestock loan guarantees. We could easily double the cattle we are feeding in North Dakota. Fattened cattle are harvest ready. The bill deals with value added but we did in the Senate strip the bill of any fiscal effect or cost. There are still some good initiatives in the bill.

There are changes in the ND agricultural products utilization commission. It expands some opportunities there. Deals with tourism grants. Tourism grants. We need assistance there.

Also technical assistance Ag program for value added businesses. See Section which is

Livestock loan guarantee program as to establishment and rules. The Bank of North Dakota



Page 2

House Agriculture Committee

Bill/Resolution Number SB 2147

Hearing Date 3---04---05

Worked with us on this bill. We are feeding 60,000 head of cattle in the state. We could easily double that in the state. The multiplier on cattle is 4.5 about three times greater than oil refining. A couple of times greater than retail trade. Almost twice as great as coal mining in the state. The reason the multiplier is so high is because of the inputs we put into cattle. What we are looking at is to finish more cattle. If you take a six hundred dollar calf and turn him into a twelve hundred dollar harvest ready steer. That is feed cost, vet's cost, trucking. Vaccinate all things that help support main street. And rural ND. The bill gives us a line of credit for the extra credit for that six hundred dollars it is going to take. To take a calf to finish. The culture in ND has a ways to go. In terms of lending culture. In states that have done this in the past there is a real cultural there to stand up and be willing to participate with guys to finish cattle. This loan guarantee is a 85 percent guarantee which I think would help change the culture in ND as they work with local lenders. Help finance from going from a calf to harvest ready. Rules are up to bank. One stipulation is the feeder has to keep one hundred and fifty equity in each feeder calf. We will giving a report in the next session. Feed Council.

Lots of opportunities in this bill..

CHAIRMAN NICHOLAS: COMMISSIONER JOHNSON

ROGER JOHNSON: NORTH DAKOTA AGRICULTURE COMMISSIONER

[[[PLEASE SEE COMMISSIONER JOHNSONS PRINTED TESTIMONY]]] When

Commissioner Johnson finished with written testimony he asked for questions.

CHAIRMAN NICHOLAS: Commissioner Johnson. Question.....What is better about this program other than two of our cooperatives, one is Harvest States, The other is Central

Livestock which both have aggressive programs here in North Dakota and finance a lot of

livestock's. The question to what is better over those two programs because there equity r requirements. Are ACTUALLY less then that.

COMMISSIONER JOHNSON: The big thing about this is that the feeders would be able to participate with Bank of NORTH DAKOTA with local lenders.

CHAIRMAN NICHOLAS: Those programs already have less equity requirements then what this program does.

COMMISSIONER JOHNSON: If We could havea figured out a way to get a lower equity Requirement through the Bank of North Dakota we would have done it.

CHAIRMAN NICHOLAS: Then why use this program if you already have better programs out there.

COMMISSIONER JOHNSON: One of the big discussion we had with the Bank Of North Dakota is that they though the 15 percent was to low. They understand at the bank that they need to design a program that is going to be used. They understand that we have to come back and report to you guys next session. The fifteen percent is a cap.

REPRESENTATIVE MUELLER: As to certified beef program. The one hundred thousand fiscal note did not go over very well.

COMMISSIONER JOHNSON: We could look at amendments. This is economic development. We want the authority to design and draft language and we would be glad to work with you on this. Especially if we could get some dollars in there. This is all about marketing ND Beef. South Dakota has a similar program.

REP. ONSTAD: Incentive package. We wish bill would have stated in its original form.

Page 4

House Agriculture Committee

Bill/Resolution Number SB 2147

Hearing Date 3---04---05

We export so much of our raw crops commodities. We have enormous dependency on out of state buys. We need an incentive package. What do other states export.

COMMISSIONER JOHNSON: They don't export as much as we do.

REPRESENTATIVE WALL. Commissioner Johnson, on page four the multiplier effect on the economy. Nature based grants. How much would that generate.

COMMISSIONER JOHNSON: Did not have figures. We can go back and get a number.

CHAIRMAN NICHOLAS Next.

WADE MOSER: NORTH DAKOTA STOCKMAN ASSOCIATION: I think I will let Bill Price who is chairman of the feeder council discuss that one. I would just like to ask you to take a look at the North Dakota certified beef program that was deleted out of the senate version. And I understand Rogers concern without sending some money. I have that same concern when our board dose that. Where there is very little money. This might give us some authority to hang a title on something. Thank you.

CHAIRMAN NICHOLAS

BILL PRICE: CHAIRMAN OF THE NORTH DAKOTA FEEDER COUNCIL.

And president of Missouri Feeders. I guess we support this. We want to see something happen in North Dakota. The financing is so much better in Nebraska. He would like to feed at home in North Dakota. When you feed at home you bring \$300.00 dollars per cow back into the North Dakota economy. With what surrounds the one calf or cow. Feed, Vet's etc.

Granted all feeder lots will not be successful. Presently we are shipping the cattle into Montana, Nebraska. All feeder lots will soon be licensed. Huge by products with feeding. Nebraska

looses cattle because of humidity and heat. We were at a lot in Nebraska not long ago that lost 25 head within one hour.

CHAIRMAN NICHOLAS:

Where is most of the financing coming from now for you? Local Banks, Central Live Stock Who.

BILL PRICE: The other lenders are aggressive. Local banks are best. Working relationships From out of state banks is harder because of distance etc. They are not local to feeder lots

CHAIRMAN NICHOLAS Explain to the committee what is the best deal.

BILL PRICE: You can finance down to one hundred dollars a head. The lenders will use the feed for inventory. They feel comfortable with feeder lots. Todays market mark in with From twenty to forty dollar profit.

There is a real good feeling out there with North Dakota feeders. Show a 20 percent return.

I also have a statement from Tom Bresnahan, a partner in Sinnmer Bros. And Bresnahan farming feedlot partnership in Casselton, ND

WOODY BARTH: N.D. FARMERS UNION. WE SUPPORT 2147.

PAUL THOMAS: AG. COLLATION: [[SEE PRINTED TESTIMONY]]

The ability to work with the local bank is beneficial. Sometime to pay a little extra interest to work locally with a local bank.

CHAIR:

BRIAN AMUNDSON BARBY RANCH LTD. AND-----WHEAT COMPANY.

We are a commercial feeding operation and we also own a feed processing facility

Called Maverick Meat Company. My family is very familiar with value added agriculture

Page 6

House Agriculture Committee

Bill/Resolution Number SB 2147

Hearing Date 3---04---05

We made a commitment to be involved in ventures besides beef. I think the key thing in here is the multiplying factors and the value added having feeding in North Dakota. I went to Neb. And worked in a 25,000 feeder lot. When I was down there part of my responsibilities was Cattle procure and investor relations. A large percentage of cattle feeders are not cattle owners. The key in cattle feeding is the return for investors. This bill allow for that opportunity To be competitive with that. I am also in the process of being permitted for a 15,000 head feed lot. With the opportunities there are right now I can go out a solicit customers. Give investor customers opportunity. Rural banks give a competitive edge. There to go to the local basketball games also etc. I think the bill would give banks a comfortable feeling in financing cattle. We also have a potato processing plant in Jamestown. We can feed co products to our cattle. Keep our crop commodities here.

BRIANT KRAMER; ND FARM BUREAU

:

WE SUPPORT BILL. As to line ten of page two of the bill, commercial feedlot, we would like to have some discussion on that.

WE SUPPORT THE BILL.

REPRESENTATIVE: Briant, has that been discussed in other committees

BRIANT No.

CHAIRMAN NICHOLAS: Other testimony.

KATHLEEN TWEETEN, DIRECTOR NDSU EXTENSION CENTER FOR COMMUNITY

VITALITY. We support the bill. [please see printed testimonia]]

CHAIRMAN NICHOLAS: Give us a thumbs nail sketch of one of these Ag. Tours. How would an average one work or do? Agri. Tourist.

TERRY: We see a lot of people come in to look at the birds. People build little cabins for these people to stay in. We have bike trails.

CHAIR Any more support of bill.

DENNIS -----? We support bill.

JOHN SNIDER: Executive Director of Ag. Products Utilization Commission. We stand in support of this bill. We have some concerns. We would like to visit with the committee about. Mainly some of the wording for the APOX part of it. It is the overall mission we would like to visit about. That is our concern. Right now we do have the ability to do tourism, nature based tourism. We want to add value added to ND Have part of the bill that was taken out put back in. If you add with out appropriation it cut out on other avenues.

CHAIR NICHOLAS: Any other support for 2147. Any opposition?

O.K. WE WILL CLOSE ON 2147

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2147

House Agriculture Committee

Conference Committee

Hearing Date 3--17--05

Tape Number	Side A	Side B	Meter #
ONE		B	36 TO END
TWO	A		0.00 TO END
Committee Clerk Signature <i>Edward D. Clayton</i>			

Minutes:

**CHAIRMAN NICHOLAS: COMMITTEE MEMBERS WE WILL OPEN ON SB 2147.**

**THE BILL IS RELATING TO AGRICULTURAL GRANTS; TO PROVIDE FOR A REPORT; AND TO PROVIDE AN EXPIRATION DATE.**

**CHUCK DO YOU HAVE ANY COMMENTS YOU WANT TO MAKE ON THE BILL.**

**AND REPRESENTATIVE MUELLER YOU TOLD ME YOU HAVE AN AMENDMENT FOR THIS BILL.**

**REPRESENTATIVE MUELLER: As to Section 1 of the amendment. Certified beef program. The Ag. Comm. May collaborate with the state board of animal health, the North Dakota stockmen's association, North Dakota state university beef systems, and The US secretary of agriculture to develop a source-verified beef marketing program Known as the certified beef program. [[[please see attached amendment]]]**

**I think that was one of the things that was in the original bill but there was money in it and this one dose not put any money in it. It allows two people to come together and they dig out that they can go down that road and that process. S.D. People put this in place and they think that is going to specialize there little product and put the level of marketing on a higher level and that is what this amendment dose for the state of N.D.**

**CHAIRMAN NICHOLAS: I THINK S.D. HAS A CERTIFIED BEEF PROGRAM.**

**REPRESENTATIVE FROELICH: IT CAME TO MY MIND THAT WE SHOULD BE WORKING WITH S.D. ON THIS PROGRAM.**

**CHAIRMAN NICHOLAS: THERE IS SOME SIGNIFICANCE IN NUMBERS.**

**WITHOUT QUESTION THERE IS VALUE IN NUMBERS. CERTIFIED ANGUS BRINGS GOOD TO THE PREMIUM. WE HAVE GOT WHERE WE SORT OUT OUR FAT CATTLE AND SEND A FAIR NUMBER OF THEM IN ON THE CERTIFIED ANGUS PROGRAM AND IT DOSE WORK. WE MAKE SEVERAL DOLLARS PER HUNDRED WEIGHT.**

**REPRESENTATIVE MUELLER:**

**REPRESENTATIVE BELTER: MAYBE WE SHOULD TAKE N.D. OUT OF THE STATEMENT ON AMENDMENT AS TO NORTH DAKOTA CERTIFIED BEEF PROGRAM.**

**REPRESENTATIVE MUELLER: WELL MR. CHAIRMAN I WILL MOVE THE AMENDMENT AND TO OVER STRIKE THE FIRST NORTH DAKOTA AND THE LAST NORTH DAKOTA CERTIFIED PROGRAM.**

**REPRESENTATIVE BELTER SECOND THE MOTION.**



Page 3  
House Agriculture Committee  
Bill/Resolution Number SB 2147  
Hearing Date 3--17--05

**CHAIRMAN NICHOLAS: O.K. IT HAS BEEN MOVED AND SECONDED. ALL IN FAVOR SAY YA. CARRIED.**

**O.K. THE CHAIR WILL ENTERTAIN A MOTION ON THE BILL AS AMENDED.**

**REPRESENTATIVE BELTER MOVED FOR A DO PASS AS AMENDED.**

**REPRESENTATIVE ONSTAD SECONDED THE MOTION.**

**THE CHAIR WILL TAKE THE ROLL.**

**THE ROLL WAS TAKEN**

**THERE WERE 12 YES**

**0 NO**

**1 ABSENT**

**REPRESENTATIVE BELTER A CARRIED THE BILL**

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2147

Page 1, line 1, after "enact" insert "a new section to chapter 4-01 and"

Page 1, line 2, after "of" insert "a certified beef program and"

Page 1, after line 5, insert:

**"SECTION 1.** A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

**North Dakota certified beef program.** The agriculture commissioner may collaborate with the state board of animal health, the North Dakota stockmen's association, North Dakota state university beef systems, and the United States secretary of agriculture to develop a source-verified and process-verified beef marketing program known as the North Dakota certified beef program."

Page 2, line 23, replace "2" with "3"

Renumber accordingly

3-17-05  
SB2147

Date:  
Roll Call Vote #:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House HOUSE AGRICULTURE COMMITTEE Committee

Check here for Conference Committee

Legislative Council Amendment Number Move on Amendment

Action Taken DO PASS

Motion Made By Mueller Seconded By BELTER

Representatives	Yes	No	Representatives	Yes	No
REP. EUGENE NICHOLAS CHAIRMAN			REP. TRACY BOE		
REP. JOYCE KINGSBURY VICE CHAIRMAN			REP. ROD FROELICH		
REP. WESLEY BELTER			REP. PHILLIP MUELLER		
REP. M. BRANDENBURG			REP. KENTON ONSTAD		
REP. CHUCK DAMSCHEN					
REP. CHAIG HEADLAND					
REP. GARY KREIDT					
REP. GERALD UGLEM					
REP. JOHN WALL					

*Vote  
Vote  
Carried*

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

SB 2147

Date: 3-17-05  
Roll Call Vote #:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House HOUSE AGRICULTURE COMMITTEE Committee

Check here for Conference Committee

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

Action Taken DO PASS AS AMENDED

Motion Made By BELTER Seconded By ONSTAD

Representatives	Yes	No	Representatives	Yes	No
REP. EUGENE NICHOLAS CHAIRMAN	✓		REP. TRACY BOE	✓	
REP. JOYCE KINGSBURY VICE CHAIRMAN	✓		REP. ROD FROELICH	✓	
REP. WESLEY BELTER	✓		REP. PHILLIP MUELLER	✓	
REP. M. BRANDENBURG			REP. KENTON ONSTAD	✓	
REP. CHUCK DAMSCHEN	✓				
REP. CHAIG HEADLAND	✓				
REP. GARY KREIDT	✓				
REP. GERALD UGLEM	✓				
REP. JOHN WALL	✓				

Total (Yes) 12 No 0

Absent 1

Floor Assignment BELTER

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

**REPORT OF STANDING COMMITTEE**

SB 2147, as reengrossed: Agriculture Committee (Rep. Nicholas, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Reengrossed SB 2147 was placed on the Sixth order on the calendar.

Page 1, line 1, after "enact" insert "a new section to chapter 4-01 and"

Page 1, line 2, after "of" insert "a certified beef program and"

Page 1, after line 5, insert:

**"SECTION 1.** A new section to chapter 4-01 of the North Dakota Century Code is created and enacted as follows:

Certified beef program. The agriculture commissioner may collaborate with the state board of animal health, the North Dakota stockmen's association, North Dakota state university beef systems, and the United States secretary of agriculture to develop a source-verified and process-verified beef marketing program known as the certified beef program."

Page 2, line 23, replace "2" with "3"

Renumber accordingly

2005 TESTIMONY

SB 2147

Roger Johnson  
Agriculture Commissioner  
[www.agdepartment.com](http://www.agdepartment.com)



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600 E Boulevard Ave., Dept. 602  
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**Testimony of Roger Johnson  
North Dakota Agriculture Commissioner  
Senate Bill 2147  
Senate Agriculture Committee  
Roosevelt Park Room  
January 20, 2005**

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Chairman Flakoll and members of the Senate Agriculture Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of SB 2147 as proposed to be amended by Senator Taylor, which provides a variety of new tools for the development of value-added agriculture in North Dakota.

### **Background**

The purpose of this legislation is to stimulate the development of value-added agriculture in North Dakota. As you know, agriculture has long been the cornerstone of North Dakota's economy. We lead the nation in the production of thirteen different commodity categories – flaxseed, canola, durum wheat, oil sunflower, all sunflower, pinto beans, dry edible peas, non-oil sunflower, spring wheat, navy beans, barley, all dry edible beans and oats.

North Dakota agriculture generated more than \$4.4 billion in cash receipts in 2003. The crop and livestock mix is illustrated in Figure 1.

## Agricultural Cash Receipts, North Dakota, 2003 (\$4.4 billion).

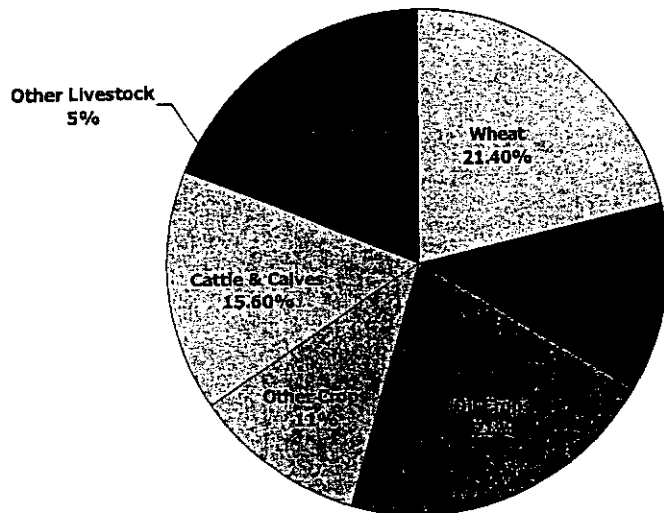


Figure 1

**Crops = 65.6%**  
**Livestock = 19.7%**  
**Government Payments = 14.7%**

North Dakota's three largest agricultural sectors are wheat, cattle & calves and soybeans (included in oil crops in Figure 1), respectively.

Figure 2 depicts the mix of crops, livestock and government payments in the states that surround us. As you can see, while livestock receipts comprise less than 20 percent of the total agricultural cash receipts in North Dakota, livestock represents a much larger portion of the total agricultural cash receipts in each of our neighboring states: 43 percent in Minnesota, 48 percent in South Dakota and 49 percent in Montana. We have room to grow in North Dakota.



## Crops/Livestock Mix in Surrounding States – Cash Receipts.

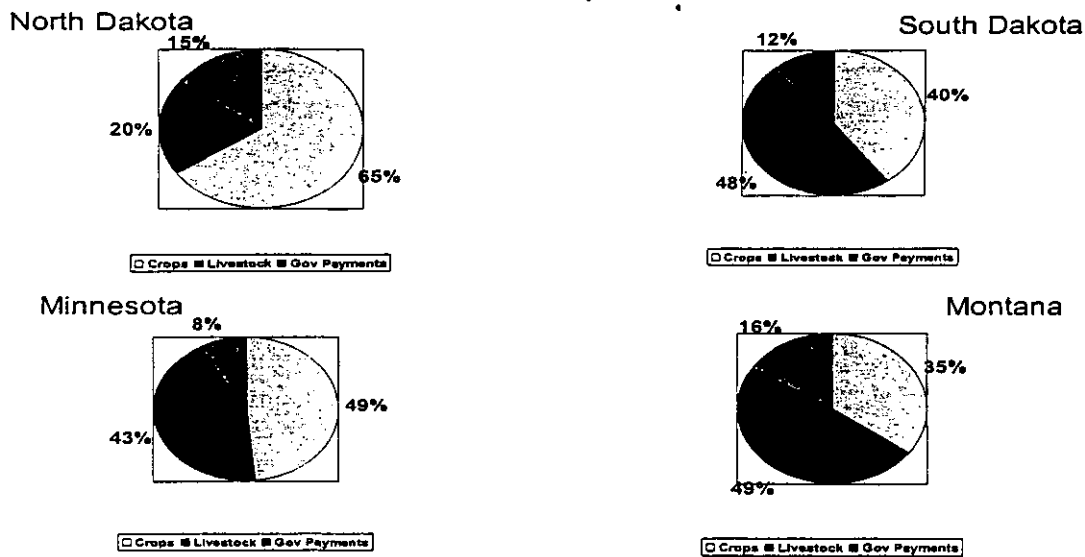


Figure 2

Our agricultural industry is continually adapting and changing to meet consumer demands and to fill global markets. Adding value to agricultural commodities and diversifying farm operations have proven effective in maintaining and enhancing the viability of agriculture. Value-added agricultural farm processing and farm input manufacturing generate \$1.7 billion in business activity in the state each year. These businesses directly and indirectly employ more than 25,000 North Dakotans. (Source: *The Role of Agricultural Processing and Farm Input Manufacturing in the North Dakota Economy* by Randal C. Coon, F. Larry Leistritz - March 2003.)

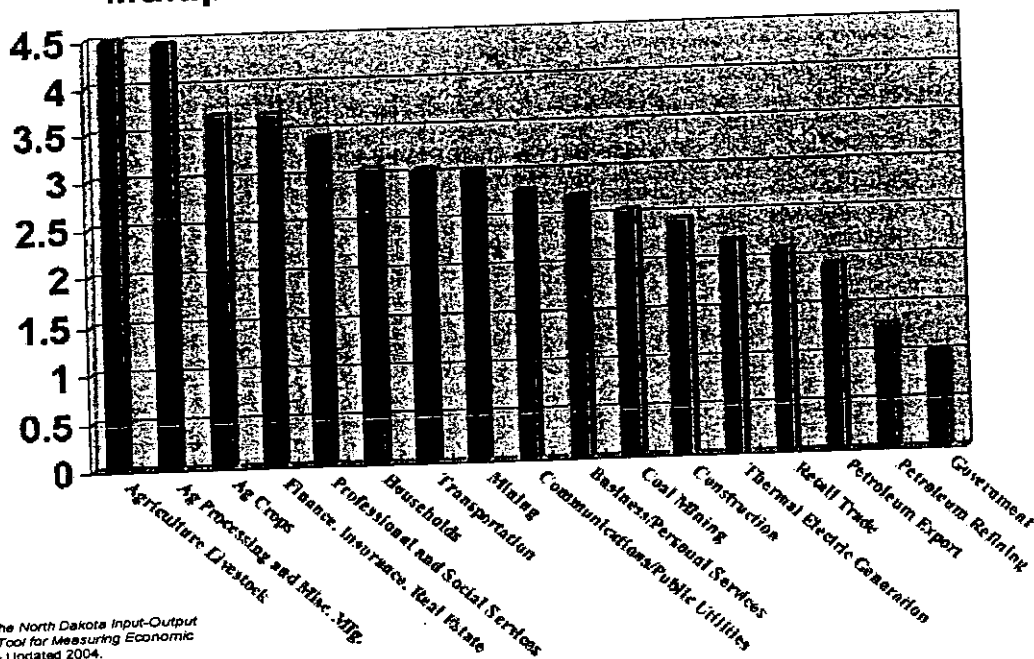
### Why do We Need Livestock Development?

Livestock is a key component of our agricultural economy in North Dakota, generating cash receipts of \$870 million in 2003. We have 1.75 million head of cattle, 97,000 head of sheep and

150,000 head of hogs in the state. But, as earlier indicated, our state's livestock sector is less than one-half the relative size of all our neighboring states.

While livestock industries already make a significant contribution to our economy, further development of these industries holds great economic value for our state. According to a study completed by North Dakota State University, livestock development has the greatest multiplier on North Dakota's economy (see Figure 3). Every dollar spent on livestock agriculture turns over 4 ½ times in our state's economy. No other economic sector has as large an impact on economic activity! (Source: *The North Dakota Input-Output Model: A Tool for Measuring Economic Linkages* by Thor A. Hertsgaard, F. Larry Leistritz, Arlen G. Leholm & Randal C. Coon – Updated 2004.)

**Multiplier Effect in North Dakota's Economy**



Source: *The North Dakota Input-Output Model: A Tool for Measuring Economic Linkages* – Updated 2004.

**Figure 3**

The economic multiplier effect in animal agriculture is significant because of the additional economic opportunities that are created. Additional inputs, such as veterinary services,

medications, financial services and trucking are all integral parallel components of livestock development. Perhaps the most important of those inputs are the additional local markets created by the sale and processing of the feedstuffs in the local economy. The graphic (Figure 4) below was developed by University of Minnesota Economist Brian Buhr and depicts the economic cycle of animal agriculture. Mr. Buhr presented this information at a conference sponsored by the department – *The Importance of Animal Agriculture to a State's Economy: Livestock Development & Our Environment*, which was held March 3-4, 2004, in Fargo.

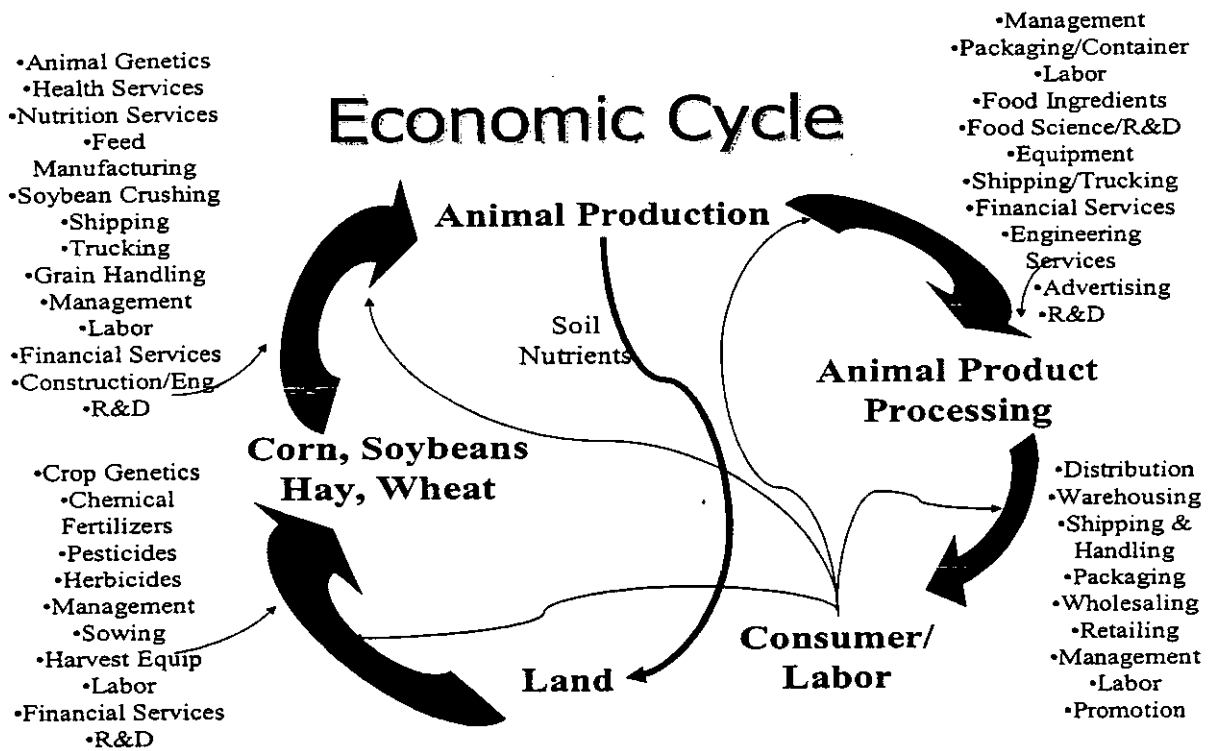
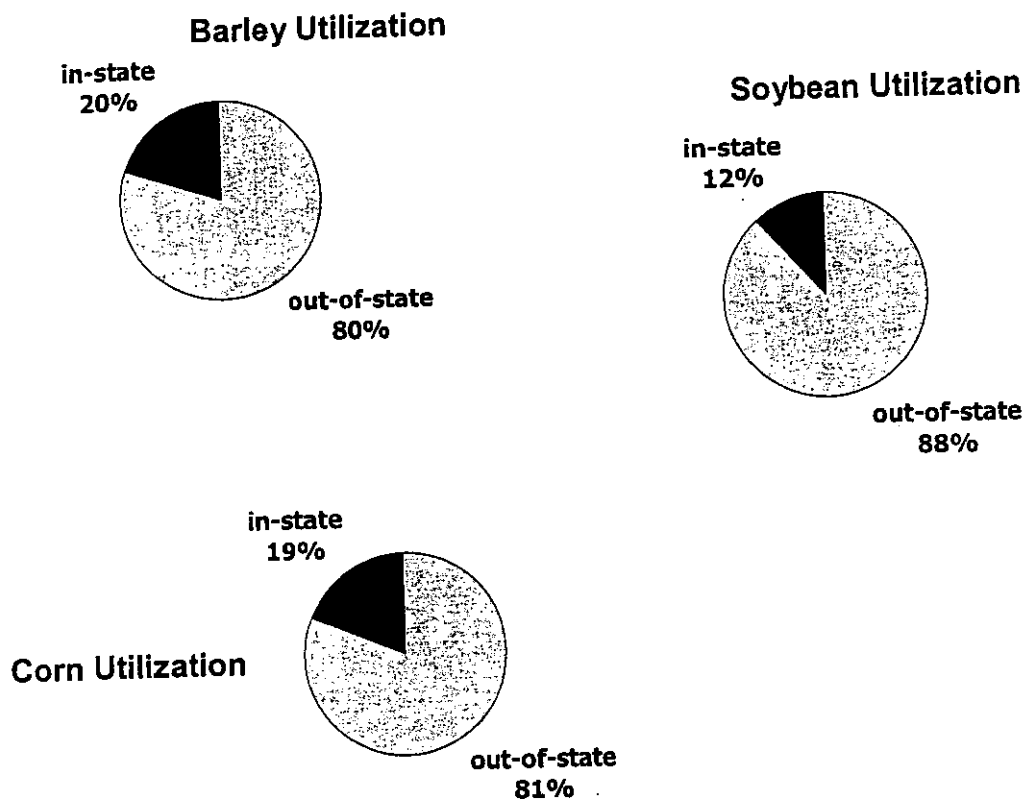


Figure 4

Feed is essential in building a livestock industry in the state. Currently, most of the livestock feed produced in North Dakota heads beyond our borders. In addition, only 12 percent of soybeans, 19 percent of corn and 20 percent of the barley produced in North Dakota are utilized here – the rest is destined for export markets (see Figure 5).

We have an abundance of co-products that are produced from our ag processing plants in the region - beet tailings at Hillsboro, barley malt sprout pellets at Spiritwood, canola meal at Velva, corn gluten feed at Wahpeton, distillers grains at Walhalla and sunflower meal at Enderlin, to name a few. Additionally, Red Trail Energy's proposed ethanol facility at Richardton could be a superb source of co-products for livestock producers in the western part of North Dakota.

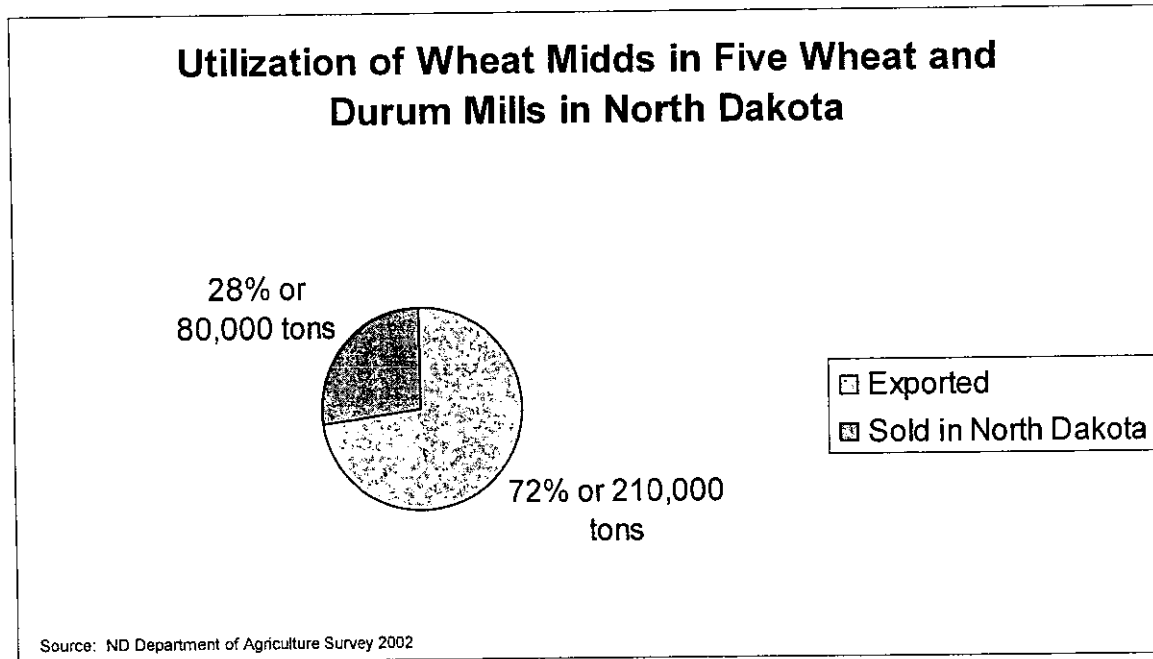


Source: UGPTI

**Figure 5**

In 2002, the North Dakota Department of Agriculture conducted a survey of the utilization of wheat midds in five wheat and durum mills in North Dakota (see Figure 6). That survey showed that 72 percent of the midds – or 210,000 tons – were exported out of North Dakota. If wheat midds were fed as 25 percent of a cattle feeding ration, the wheat midds that we export from

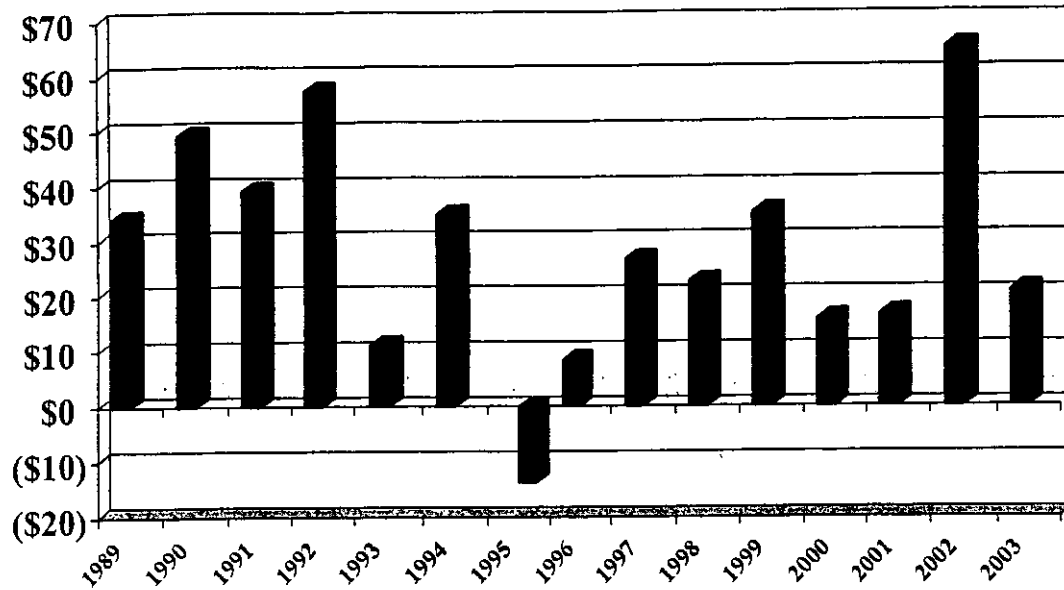
North Dakota each year could finish 368,000 head of cattle! Currently, we finish approximately 60,000 head of cattle per year in North Dakota.



**Figure 6**

Since our finished cattle numbers are so low, we do not have average net return numbers from finishing cattle. But as Figure 7 shows, backgrounding calves in North Dakota has been a profitable business in fourteen of the last fifteen years. Net returns per backgrounded calf average \$24.70.

## It pays to background calves in North Dakota (Net return per head)



Source: ND Farm & Ranch Business Management

**Figure 7**

North Dakota State University Economist F. Larry Leistritz estimates that feeding 60,000 head of cattle in North Dakota has an economic impact of \$98.3 million annually – including \$38.8 million in added personal income for North Dakota households and \$23 million in added sales for ND retail trade sector firms. This economic activity would support more than 1,200 jobs in addition to those persons directly employed in cattle feeding.

## **SB 2147: Livestock Components**

*Sections 1 & 7* create a North Dakota certified beef program and provide a \$100,000 appropriation to fund the program. The certified beef program is aimed at adding value to North Dakota beef and increasing profits for our state's producers, feeders and processors.

The program uses a source-verified and process-verified marketing approach. It would set up protocols to distinguish North Dakota's beef production as the nation's best source of beef and beef products.

The certified beef program will help create new markets for source-verified beef and has the potential to help producers gain increased access to domestic and foreign markets. The program would also leverage existing resources including the pilot USDA animal identification project and the Beef Center of Excellence.

The state of South Dakota and the Iowa Cattle Producers have already developed certified beef programs, and more states are expected to follow suit. Source-verified beef and beef products will continue to grow in demand as countries around the world deal with disease outbreaks and issues and consumers demand more information about the food they eat.

*Sections 3 & 10* create a livestock loan guarantee program at the Bank of North Dakota (BND) and provide an expiration date of June 30, 2007, for the program. The program would be available to qualified applicants, who are commercial cattle feedlot operators who background or feed cattle to final market weight. BND may establish rules and guidelines for the guarantee program and would be limited to \$30 million in guaranteed loans at one time.

This program is designed to encourage livestock feeding in North Dakota. It eliminates the need for potential livestock owners to supply financial statements and it encourages the development of feedlots that have professional expertise in feeding cattle, thus reducing bad experiences in feeding cattle.

Figure 8 provides a flow chart of how the guarantee program would work:



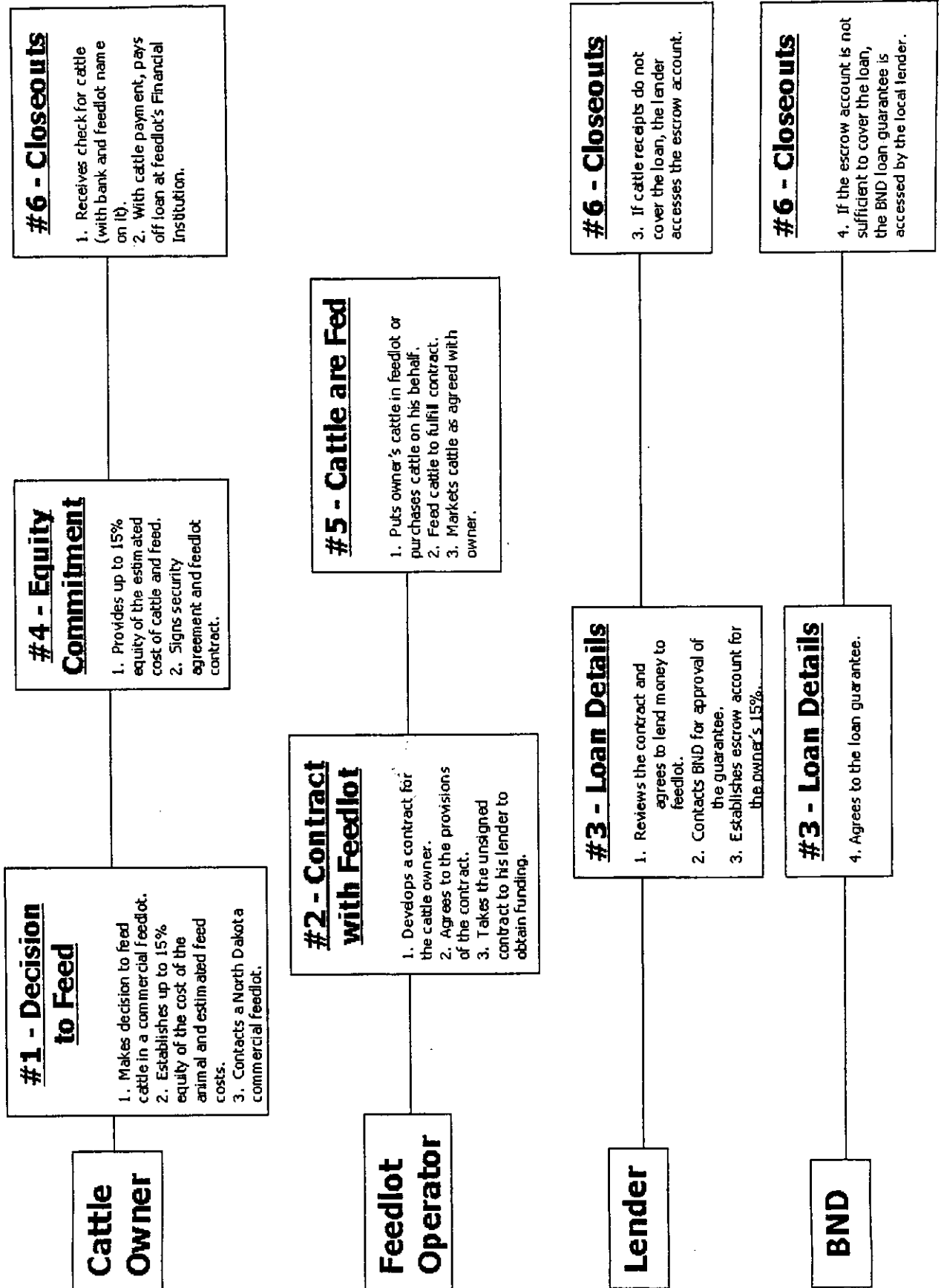


Figure 8

*Sections 4 & 5* provide for an ag processing facility business investment tax credit. For your reference, two other bills – SB 2177 & SB 2178 - have been introduced which would do similar things. The state currently provides a 30 percent income tax credit to taxpayers who invest in agricultural processing facilities. This expands the definition of agricultural processing facilities to include dairy operations, livestock feedlots and swine feeding and finishing operations. The credit is increased from 30 percent to 50 percent of the amount invested. Let me give you an example. A producer invests \$20,000 in a livestock operation. Under current law (pages 3 & 4 of SB 2147), three factors come into play:

- Any investment over the first \$20,000 is not eligible for the credit.
- No more than 50 percent of the tax credit can be taken in any one year.
- The credit can be carried forward up to 15 years.

Under current law, this investor of \$20,000 would be eligible to have a tax credit of 30 percent of the \$20,000 - or a \$6,000 credit. Under the provisions of SB 2147, the investor would be able to take a \$10,000 credit.

Utilizing the North Dakota income tax tables, a married person with a \$50,000 taxable income would pay \$1,078 in state income tax. Since the maximum credit allowed each year is no more than one half of the liability, the investor could take a \$539 tax credit. If that same taxpayer had the same continual earnings, in 15 years he would end up receiving only \$7,085 in credits.

If that same investor had taxable income of \$100,000 each year, he would pay \$3,036 in state income. One half of that, or \$1818, could be used as a credit and in about six years the full \$10,000 credit could be utilized.

In short, SB 2147 increases the tax credit amount that an investor is eligible for from \$6,000 to \$10,000.

*Sections 6 & 9* provide an incentive to encourage new construction of livestock facilities by refunding state sales tax charged on construction material for beef, dairy, sheep, hogs, or poultry production facilities and defines the refund time period. A production livestock facility is defined as "new building, structure, equipment, and fixtures constructed for livestock production, but not including structures such as grain bins or other storage facilities incidental to livestock production."

As an example, if \$40,000 was invested in a new livestock facility and one-half of the investment was used to purchase equipment and building materials, the producer would receive a sales tax refund of \$1,000.

Another example would be a larger dairy operation. It costs approximately \$2.5 million to construct an 800-cow dairy. Approximately 50 percent of that amount would be used for building materials and equipment that are subject to sales tax. The savings on sales tax would be \$62,500.

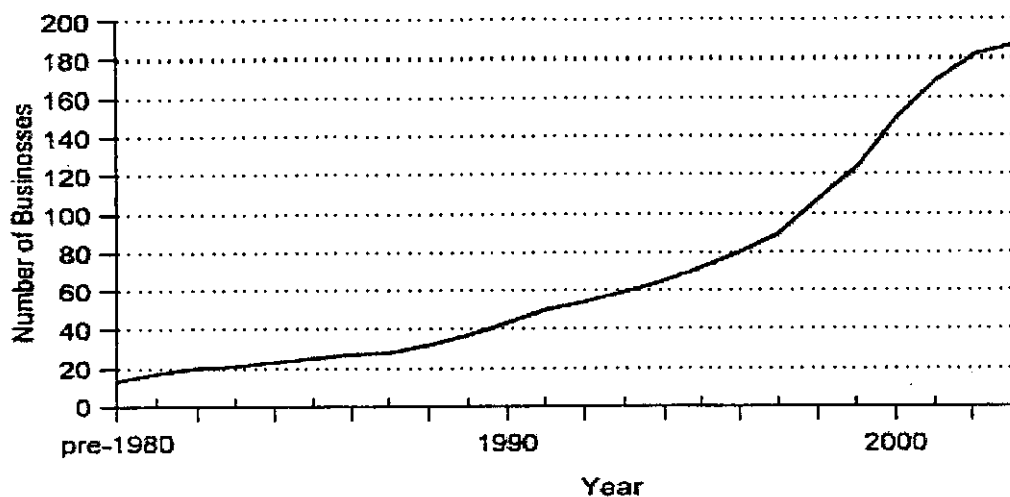
If the facility has not been used for livestock production within five years from the time of the refund, the owner is liable for repayment of the full amount of taxes.

Section 9 provides for the sales tax refund to be in effect from July 1, 2005, through June 30, 2009. The next legislative session will have a chance to assess the performance of the refund and modify, continue or discontinue the program.

### **Growing New Value-added Industries**

SB 2147 would not only provide new opportunities to responsibly expand livestock production in North Dakota, but would also jumpstart the nature-based/agri-tourism industry and provide additional resources for farmers' market development throughout the state. SB 2147 would also promote the growth of value-added agricultural processing through tax incentives and by helping distressed companies resolve financial and marketing problems.

As you can see in Figure 9, the number of outdoor recreation-related businesses has increased significantly over the last decade. According to *Characteristics of Nature-based Tourism Enterprises in North Dakota* by Nancy M. Hodur, Dean A. Bangsund, & F. Larry Leistriz (July 2004), 85 percent of the study respondents started their businesses after 1990. Over 75 percent of respondents agreed that outdoor recreation-related tourism enterprises offer both their local area and rural areas throughout the state economic development opportunities.

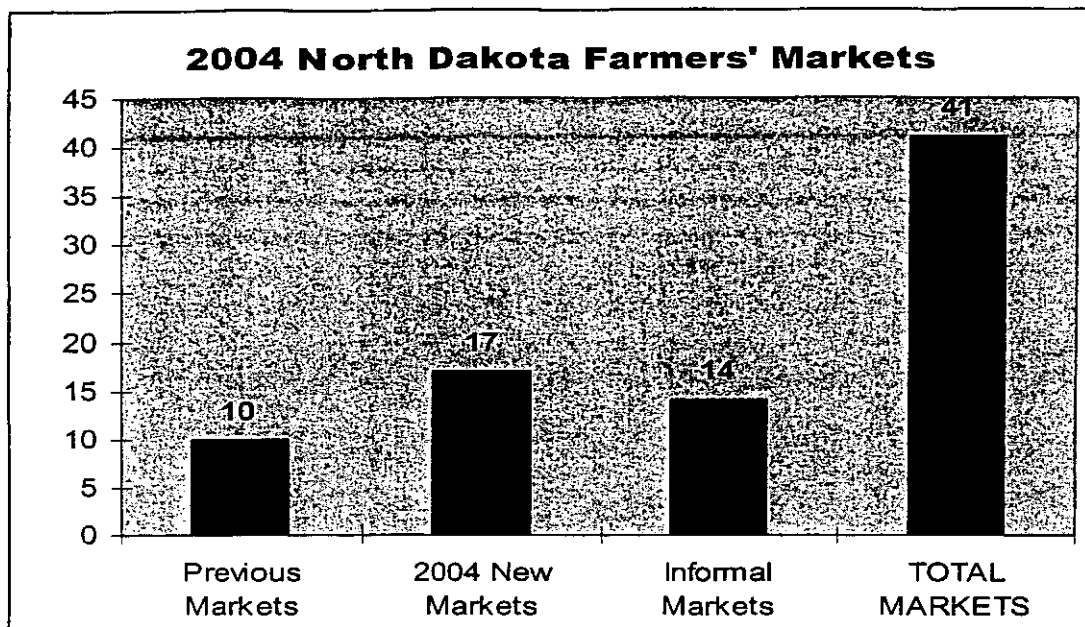


**Figure 9** Year Business Operations Began, Outdoor Recreation-related Businesses, 2003.

Farmers' markets are another growing industry in North Dakota, and they serve an important role in agriculture. Early last year, the North Dakota Department of Agriculture and the NDSU Extension Service sponsored a farmers' market conference and were able to successfully organize a statewide farmers' market association – the North Dakota Farmers' Market and Growers Association, Inc (NDFMGA).

The association is a vehicle that assists producers and farmers' markets in further developing their markets and the farmers' market industry. This past spring, over 30 cities from around the state invited the NDFMGA and NDDA into their communities to learn more about the NDFMGA and the technical assistance and programs offered to assist farmers' markets.

Seventeen new farmers' markets were organized across the state in 2004, bringing the total number of farmers' markets statewide to 41 (see Figure 10).



**Figure 10**

Another 14 communities have expressed interest in beginning or expanding their farmers' markets.

**SB 2147: Other Value-added Components**

*Section 2* provides new authority to the Ag Products Utilization Commission (APUC) to allow cooperative marketing grants to be made to nature-based/agri-tourism businesses that add economic value to rural areas. The growing nature-based tourism sector of our economy will benefit from the synergies of conducting marketing efforts collectively rather than individually.

Those involved in nature-based business in North Dakota think that the purposes of this grant could be expanded beyond cooperative marketing to helping with the development of individual businesses, and later testimony reinforces that concept.

APUC would also be given new authority to provide technical assistance to value-added businesses that are encountering difficulties. Such technical assistance can be key in assisting value-added businesses that encounter issues ranging from marketing to management problems.

Figure 11 depicts the mix of business stages of the more than 90 value-added ag projects across North Dakota:

#### ND Value-Added Ag Projects

Project Stage	Number
Planning	17
Operational	36
Inactive	18
Closed	15
Reassessing	1
For Sale	1
Dissolved	1
Recently Purchased	2

Source: ND Department of Agriculture, NDAREC Rural Development Program, April 2004.

**Figure 11**

Over the years, we have all become aware of recently organized value-added businesses that have struggled with marketing, management, production, technological and other problems. This new authority would allow APUC to provide help in such circumstances.

Finally, APUC would be provided the authority to negotiate repayment of grants on a case-by-case basis through preferred stock or intellectual interests in a new business in situations where the public interest needs to be better protected. This authority would be helpful relative to projects that involve development of ideas or commercialization of technology. These types of projects can be especially mobile, with no plant or other construction that would tie the project to North Dakota. The ability to take contingent ownership of intellectual property would protect the state's interests if such projects are developed with APUC funds but ultimately commercialized elsewhere. This ability would likely be used only once or twice a biennium; however, in certain grant proposals, the ability to protect the state in such ways may be the difference between funding a grant or not funding a grant.

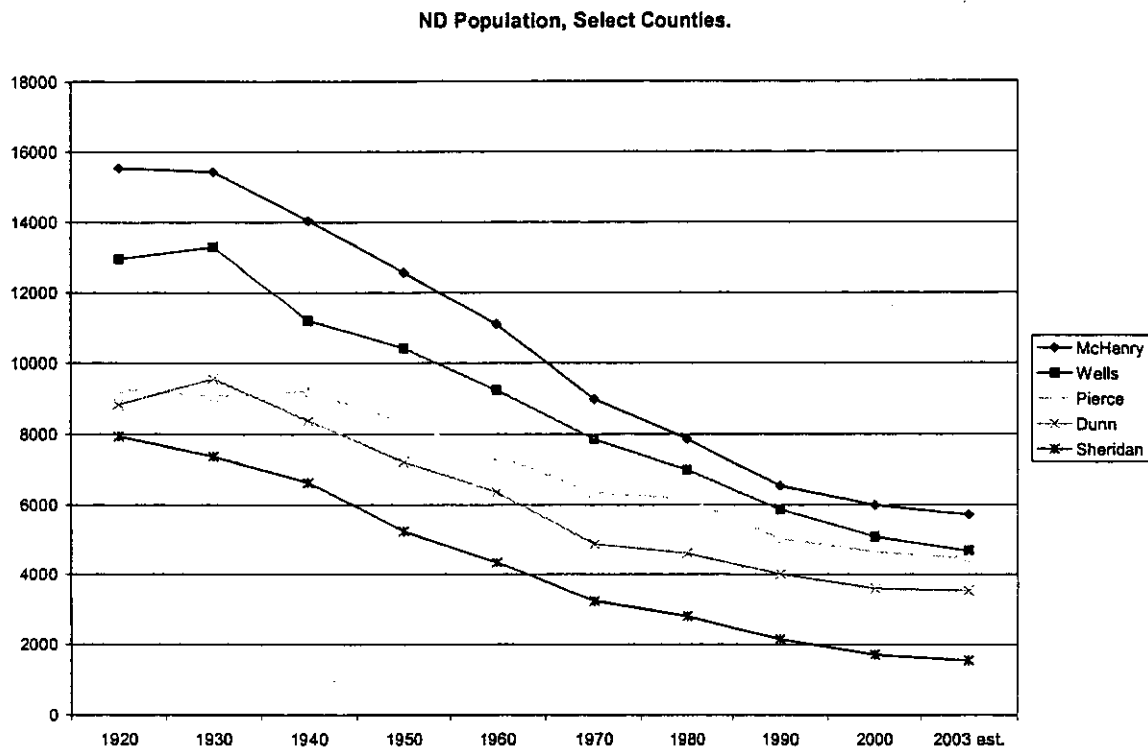
*Section 8* seeks an appropriation of \$100,000 designated to the North Dakota Department of Agriculture to further develop farmers' markets. The funds will be used to provide mini-grants to communities to expand, improve and develop markets and to build a statewide farmers' market program that provides marketing assistance, education, and other developmental resources.

## **Summary**

It is my hope that you will look favorably on SB 2147 and other legislation introduced during this session that seeks to expand and improve value-added agriculture in North Dakota. While this legislation is critically important to the future of agriculture in this state, further development of value-added agriculture industries will provide a significant economic impact to the economies of the rural areas in North Dakota.



According to the US Census, North Dakota had a small net gain in population in 2003. Many of you on this committee represent rural legislative districts, and I know you are well aware that population growth isn't occurring in the majority of those rural counties. Figures 12 & 13 show the extent of population decline in selected counties in North Dakota.



**Figure 12**

ND Population, Select Counties.

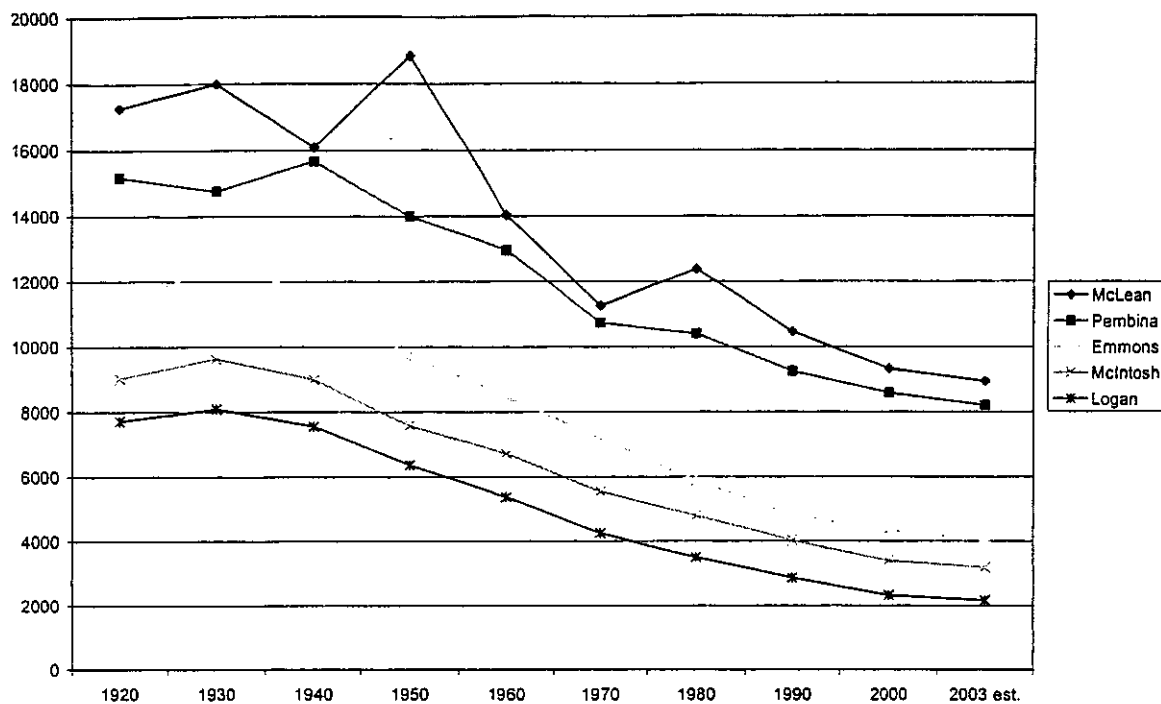


Figure 13

We need to refocus our economic development efforts in our state's rural cities to enhance their economic viability and help sustain them as attractive commerce centers for our state's workforce.

SB 2147 would provide many of the tools we need to generate additional value-added agricultural economic activity in North Dakota. Chairman Flakoll and committee members, I urge a do pass recommendation on SB 2147 as amended. I would be happy to answer any questions you may have.



**SINNER BROS. & BRESNAHAN**  
*PARTNERS IN FARMING*

**THOMAS E. BRESNAHAN**  
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Senate Bill 2147 – Specifically Section 3

Mr. Chairman

My name is Tom Bresnahan a partner in a farming, feedlot partnership in Casselton, ND. We have a feedlot in Cass County plus we also are having cattle fed for us in 2 North Dakota and 1 South Dakota custom feedlot.

I am here today to present testimony in favor of Senate bill 2147, specifically Section 3.

As a director of the North Dakota Feeder Council we have had numerous discussions and meetings attempting to put North Dakota on an even playing field with other cattle feeding states. Other states banking industry looks at their cattle feeding industry as a windfall, it appears our state views it as high risk.

In North Dakota many of our feedlots are smaller and spread out, therefore having limited number of banking personal that are comfortable with the cattle feeding, plus the carrot for the banking personal sometimes doesn't appear that great. It creates a situation where North Dakota is missing numerous economic development opportunities.

With some of the new EPA requirements and cost share programs, there are numerous feedlots being upgraded and constructed. The only way many of these new facilities will survive is if cattle are fed in them.

The capital needed to finish cattle is huge. We just sold five loads of cattle and the average net value after trucking is over \$1200 per head. Many of these new feedlots are 1500 head capacity. You can do the math as well as I can, and the need for capital is huge. To some that sounds like huge risk, but to other cattle feeding states it's a big fat carrot and an economic windfall.

Managing a feedlot is managing risk.

- 1) Performance risk....feed conversions, average daily gains, yields, dressing percentages
- 2) Health risk....sickness, death loss
- 3) Weather risk.....storms, cold, heat, rain, snow, mud
- 4) Market risk.....supply & demand risk, BSE risk, basis risk

Any good manager defines those risks and utilizes the tools necessary to reduce or limit those risks.

We have nutritionists that assist with feed rations and reduce performance risk, we have vaccination programs that reduce health risk, we have wind breaks and sheds to limit weather risk, but the risk I think many are really afraid of is market risk.

We have tools for that too, we have options, option fences, basis contracts, forward contracts, and future contracts. Risk isn't a bad thing, if handled properly risk creates reward.

This bill isn't a fix all. \$30,000,000 sounds like a lot of money, however in the cattle industry it isn't. But it's a start. \$30,000,000 sounds like a lot of risk, but spread it out over 30 feedlots and it amounts to about \$1,000,000 per feedlot or about 850 head per lot, small potatoes for the overall effect to North Dakota. And when you really look at the risk the owner, the guy how is putting up the investment has to lose more than \$150 per head before there is any risk at all, and that still assuming no "marketing risk management".

The assumption here is that managers will use "risk management". The Bank of North Dakota will set up the criteria, one of which should be management skills, and we'd hope that "market risk management" would be part of that criteria.

This is not a bill that gives a bunch of money away. This is a bill that creates growth for truckers, veterinarians, commission buyers, feed manufactures, corn growers, gas stations, feedlot employees, restaurants, not to mention bankers. A typical interest charge per animal & feed is near \$20. It's pretty easy to add over \$400-\$500 on the value of every calf.

That's is value added from North Dakota. Again, you can do the math, but that becomes one big number.

In recap, the cattle industry in North Dakota is way behind. We have feed, we have cattle, we have space, we have expertise, we have the ability, we just need to sell it.

This bill will encourage feedlot managers to step to the plate and become better managers.

This bill will encourage additional feeding in North Dakota.

This bill will create opportunity for others embrace the feeding industry in North Dakota.

This bill will create value added growth.

This bill will demonstrate that the leadership in North Dakota believes in cattle feeding.

But, this bill is just a tool, a tool to help change the long standing "fear" of North Dakota cattle feeding to a "big fat carrot", and economic growth!

Let's get this thing going.

Tom Bresnahan

My name is Dawn Jarolimek, I am from Forest River ND.  
I am the current President of the NDPPC

I come today to speak in support of Senate Bill 2147 on sales tax exemption on construction of livestock operations

I have been involved. in some capacity one way or another, in Animal Agriculture all of my life.

Over the last decade, I have seen our livestock numbers fall throughout the state, while neighboring states and providences continue to grow in numbers.

I have seen our rural communities shrink to the point that they can no longer support a school or church. In fact, the taverns are even beginning to close.

I firmly believe that these two issues are related. A strong and growing Animal Agriculture Industry keeps communities alive. It creates jobs and retains young families.

We need to send a signal of help those that wish to engage in animal agriculture, in an environmentally responsible and economically beneficial way.

When construction budgets and cashflows of animal agriculture projects are compared with costs of other regions, it becomes evident that North Dakota is not the "low cost" region. Construction budgets are challenged by a regional high cost of concrete and other items. Lack of experience of local contractors in building large animal confinement operations leads to higher bidding to cover the "unknown" If an experienced contractor or trades from another region are employed, then the project in ND has to bear the cost of workers being away from home.

We need to provide incentives to offset some of these challenges we face.

A sales tax exemption can be one of those incentives that really make a difference on the bottom line.

The reduction of the cost of a project because of a sales tax exemption means less equity to raise. It means less money to borrow, thus less interest to pay. The dollars saved by the sales tax exemption maybe the deciding factor for a project to go forward.

A sales tax exemption helps create a friendly environment for responsible revitalization of Animal Agriculture in ND.

Legislators do not need to worry about losing tax dollars and upsetting the states budget. A growing livestock industry in our state will provide new jobs and wealth, that will in turn add to the tax base.

A strong, vibrant, and growing animal agriculture industry will create "spin off" companies and jobs. Trucking, manure application, feed supply, and vet services are to name a few.

It is important to adopt Senate Bill 2147 to help grow our state and small communities.

Thank you,

Bill 2147

For your consideration a grant to the ND Farmers Market & growers ASS.

- They help raise public awareness of local farmers markets chapters by providing access & funding for <sup>improved growing techniques, pest, weed control</sup> advertising & marketing concepts.
- Growers Ass could assist local markets chapters acquire the technology to step into the 21 century banking methods of debit & credit cards. This same technology would enable local markets to participate in Senior nutrition programs, WIC & ebt cards. This provides healthy nutritious food, benefitting the people in the community that need it the most. Esp small towns who no longer have a Grocer.
- By assisting the Capital Farmers Market publish a cookbook. This cookbook not only contains recipes but includes safe & sanitary ways to process produce. How best to retain fresh taste and nutritional value when they store, can, freeze or dehydrate their fruits & vegetables. ~~Many young people find themselves~~ <sup>intimidated</sup> we have had tour buses stop by our market.



I personally have donated produce to the Ruth Myers house. I have also donated to schools pumpkins, seeds, & potatoes for lessons on how plants grow, reproduce & produce food.

Thank-you

Bonnie Munsch.

Member Capital Farmers' Market.

Testimony of Paul Thomas  
North Dakota Ag Coalition  
Before the Senate Agriculture Committee  
January 20, 2005  
Testimony on SB 2147

Chairman Flakoll, Members of the Senate Agriculture Committee, I am Paul Thomas, Administrator of the North Dakota Ag Coalition. The North Dakota Ag Coalition supports SB 2147.

The North Dakota Ag Coalition represents forty agriculture organizations across North Dakota. For the Coalition to take a position on a bill, seventy-five percent of our voting members must agree upon the position.

The provisions of SB 2147 create several tools and incentives that North Dakota residents will be able to utilize to create wealth in their businesses. The \$200,000 appropriation request to fund a North Dakota certified beef program as well as to further develop farmers markets in the state is a minimal investment for the potential return. The appropriation will very likely hasten the development of farmer markets and gate to the plate businesses wanting to direct market their beef.

Farmers Markets, like most new business ventures are slow to develop. One of the main limitations in development of any new business concept is lack of knowledge and the perceived high level of risk associated with such a venture. Associations within a businesses sphere often are the source of information and sharing that ease a new entrepreneur's willingness to take the risk of taking on a new venture. Providing

education, news and a network of support, Associations such as a Farmers Market Association will certainly accelerate the development of more value added businesses. In a like manner, the accessibility of our states beef producers to a certified beef program will likely increase a producer's willingness to venture further up the vertical integration chain, direct marketing their beef production.

SB 2147 will also stimulate increased investment in North Dakota feeding enterprises. The financing opportunity created for investors will very likely have an immediate impact on people's interest in cattle investment. Individual's not otherwise likely to explore the investment opportunity of cattle ownership, are likely to do so when presented with the reduced equity requirements created in SB 2147. Investment in cattle will benefit existing cattle feeding operations, likely spur investment in new feeding operations and provide more local markets for our abundance of feed grains<sup>+ byproducts</sup> grown within the state.

Lastly, providing incentives for investment in new livestock construction facilities is long overdue. Refunding state sales tax charged on construction materials for beef, dairy, sheep, hogs, or poultry production facilities is a sure bet to lead to increased revenue for the state. The increased economic activity created by adding value to our states livestock will benefit investors, operators, feed producers and many businesses within the local area.

Chairman Flakoll, members of the Senate Agriculture Committee I urge your support for Value Added Agriculture; I urge your support for SB 2147. Thank you for the opportunity to appear before you and I will be happy to try and answer any questions you have.

# North Dakota Farmers Union

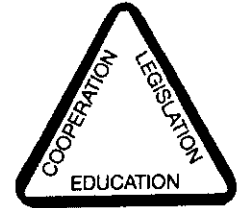
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SB 2147

Agriculture Committee

*Submitted  
to Senate  
Appropriations*

Chairman Flakoll and members of the Senate Agriculture Committee

My name is Woody Barth; I am here representing over 35,000 members of North Dakota Farmers Union. I am here to testify in favor of Senate Bill 2147.

North Dakota Farmers Union believes that livestock production is essential to the well being of North Dakota. We actively promote the development of livestock production in our state. Livestock production is a vital component in maintaining a healthy agricultural sector.

A North Dakota Certified Beef program is the key to the livestock development effort. Especially with the BSE questions and the ongoing Canadian border dispute, consumers will insist on and likely will pay more for certified origin meats. Especially if nationally, the COOL legislation effort continues to stall.

The "Certified Angus Beef" program is a great example of how a branded product commands a premium price and prominent placement in the grocery meat counter.

The Certified Premium ND Beef program would help gain the confidence of consumers, especially if we can convey that family farmers and ranchers in North Dakota produce our quality product.

We know the growth and development of the ND Certified Beef program may take some time. We must first develop slaughtering and processing facilities in order to move our branded product forward.

A livestock loan guarantee program is created through our Bank of ND. The loan program would allow North Dakota cattle producers to retain ownership of their livestock to slaughter weight. This would allow producers to add value to their high quality calves with a minimum investment.

The sales tax exemptions and investment tax credits would help to grow and expand our states livestock's feeding industry. There is a need to build on and expand our livestock-feeding infrastructure.

SB 2147 is a good start to the development of livestock feeding within North Dakota. We have grain and grain byproducts that are not being utilized by our livestock industry. With the right incentives, all North Dakotans including our state's family farmers and ranchers will benefit from this legislation.

Thank you Chairman Flakoll and Members of the Senate Agriculture Committee, I would be willing to answer any questions at this time.

My Name is Paul Ivesdal I am from Edmore, ND.

I have come to speak in support of Senate Bill 2147 on sales tax exemption on new construction of Livestock Operations. I am a life long farmer from the area. Since the 70's I have witnessed the decline of the animal agriculture and the exodus of young people from the area. In 1999 the North Dakota Legislature passed a legislation granting a 5year property and income tax exemptions to businesses located in deteriorating areas of North Dakota.

Thus supporting Bill 2147 would help create Renaissance Zone in rural North Dakota. The Sales Tax exemption would help create this.

Helping us create a strong animal agriculture in North Dakota. Thus helping create countless new jobs in animal agriculture and expanding our tax base.

Adopting Senate Bill 2147 will help grow our rural communities and state.

My name is Daryl Dukart and I am General Manager of Cloverdale Grower's Alliance. I live near Dunn Center, North Dakota. Along with my wife, son and his family we operate a ranch that has beef cattle, sheep and finishes hogs.

I come before you today in support of Senate Bill 2147

I have been involved in trying to rebuild the swine industry in our State for over a year. Not very many years ago North Dakota fed over 300,000 finished hogs in the state and in 2003 we finished just over 150,000 head. Yes, our hog numbers have increased a little over the past year but with the vast amount on grain raised in this state we could feed much larger numbers of livestock.

Senate Bill 2147 has a-lot of language in it but it does focus on Value- Added Agriculture! The certified beef program, some new authority to Ag Products Utilization Commission, loan guarantee fund for finishing cattle, sale tax exemption for (NEW) livestock facilities, increase in investment tax credit for processing facilities, and monies for grants to continue the value- added farmer's markets which continue to grow across North Dakota. All of these bring to us a little incentive to encourage producers and processor to grow in our state.

The small amount of money lost in sales tax and investment tax credits would be offset by the increase in gross income to the state economy and the creation of new jobs.

North Dakota leads the nation in production of many crops and as processors manufacture these raw grain products (wheat, barley, corn, canola, flaxseed, sunflowers and so on) we generate many by-products that make ideal livestock feeds. This brings me to the three P's of value-added agriculture (production, processing and people) and why we need to adopt SB 2147.

**Testimony of Karen Daly  
Capital Farmers Market Vendor  
Senate bill 2147  
Senate Agriculture Committee  
Roosevelt Park Room  
January 20, 2005**

My name is Karen Daly. I have been a member of our local Farmers Market for 15 years.

Farmers markets are very important to local communities -- to our local community and others -- because:

1. Farmers Markets give communities opportunities to purchase very fresh produce at reasonable prices. Most of this produce is grown without pesticides or herbicides and is nutritionally superior to produce that is sprayed. It has also been proven that sprays cause many diseases and allergies.
2. Local Farmers Markets give communities opportunities to gather socially. That, in turn, generates community spirit.
3. Farmers Markets impact businesses by drawing customers. When customers buy at the local Farmers Market, they go next door to shop or stop for lunch.

We -- you -- all of us need to continue to develop "local grown" efforts to increase awareness of shopping for "local " produce at one "local" and all "local" Farm Markets.

We need to have more efforts to make everyone aware that shopping for locally grown produce is available right here and at many local Farm Markets.

Farm Markets also want to work with the Senior Nutrition program that would provide coupons for seniors on fixed incomes but we need to find matching funds to afford this service.



# NEWS

United States  
Department of  
Agriculture

Food and  
Nutrition  
Services

CGA Public Affairs  
3101 Park Center Dr.  
#914  
Alexandria, VA 22302

FNS PR 0035-2005

Contact: Susan Acker (703) 305-2286  
Angela Harless (202) 720-4623

## USDA Awards \$15 Million to States and Tribal Organizations for the Senior Farmers' Market Nutrition Program

WASHINGTON, Feb. 1, 2005 – Agriculture Secretary Mike Johanns today announced fiscal year 2005 Senior Farmers' Market Nutrition Program (SFMNP) grant awards to 47 state agencies and tribal organizations to provide low-income seniors with coupons that can be exchanged for fresh produce at farmers' markets, roadside stands and community-supported agriculture programs.

"These grants will provide low-income seniors the opportunity to enrich their diets with highly nutritious fresh fruits and vegetables," said Johanns. "Local farmers benefit from the program as well by attracting more customers to their markets for farm fresh products."

The 2002 Farm Bill authorizes and provides \$15 million annually to operate the Senior Farmers' Market Nutrition Program for fiscal years 2003 through 2007. All 47 grantees that operated this program in FY 2004 will continue to operate the program during the 2005 season.

The Senior Farmers' Market Nutrition Program provides fresh, locally grown fruits, vegetables and herbs to low-income seniors, as well as increases the consumption of agricultural commodities. Through this increased consumption, the SFMNP will help expand or develop farmers' markets and other agricultural commodity outlets.

These grants are expected to serve over 800,000 low-income senior citizens nationwide, an increase from FY 2004. Coupons to purchase fresh produce this year will be accepted by over 13,000 farmers at nearly 4,000 markets, roadside stands or community-supported agriculture programs. The grantees are:

### Senior Farmers' Market Nutrition Program FY 2005 Grants

STATE AGENCY	AWARD	STATE AGENCY	AWARD
Alabama	\$897,796	Mississippi	\$62,846
Alaska	\$63,293	Missouri	\$214,473
Arkansas	\$86,489	Montana	\$38,886
California	\$604,603	Nebraska	\$225,461
Chickasaw Nation, OK	\$130,041	Nevada	\$127,109
Choctaw Indians, MS	\$13,660	New Hampshire	\$68,003
Colorado	\$13,467	New Jersey	\$613,293
Connecticut	\$81,832	New York	\$1,345,846
District of Columbia	\$127,841	North Carolina	\$39,739

Five Sandoval, NM	\$17,956	Ohio	\$1,175,262
Florida	\$86,706	Oregon	\$693,255
Grand Traverse, MI	\$7,805	Osage, OK	\$27,537
Hawaii	\$516,454	Pennsylvania	\$1,346,694
Illinois	\$697,762	Pueblo of San Felipe, NM	\$14,868
Indiana	\$36,304	Puerto Rico	\$844,540
Iowa	\$502,766	Rhode Island	\$178,258
Kansas	\$175,986	South Carolina	\$583,567
Kentucky	\$248,063	Tennessee	\$453,055
Louisiana	\$251,009	Vermont	\$78,370
Maine	\$801,665	Virginia	\$378,549
Maryland	\$102,894	Washington	\$111,075
Massachusetts	\$51,085	West Virginia	\$461,597
Michigan	\$67,335	Wisconsin	\$245,326
Minnesota	\$89,579		
		Total	\$15,000,000

Additional information about the SFMNP is available at <http://www.fns.usda.gov/fns> .

#

### ***What is the Senior Farmers Market Nutrition Program?***

The Senior Farmers' Market Nutrition Program (SFMNP) awards grants to States, United States Territories, and federally-recognized Indian tribal governments to provide low-income seniors with coupons that can be exchanged for eligible foods at farmers' markets, roadside stands, and community supported agriculture programs. The grant funds may be used only to support the costs of the foods that are provided under the SFMNP; no administrative funding is available.

### ***What is the purpose of the SFMNP?***

The purposes of the Senior Farmers' Market Nutrition Program are to:

- (1) Provide resources in the form of fresh, nutritious, unprepared, locally grown fruits, vegetables, and herbs from farmers' markets, roadside stands and community supported agriculture programs to low-income seniors,
- (2) Increase the domestic consumption of agricultural commodities by expanding or aiding in the expansion of domestic farmers' markets, roadside stands, and community support agriculture programs, and
- (3) Develop or aid in the development of new and additional farmers' markets, roadside stands, and community support agriculture programs.

### ***Who is eligible for SFMNP benefits?***

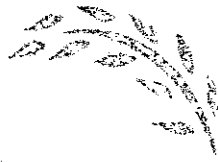
Low-income seniors, generally defined as individuals who are at least 60 years old and who have household incomes of not more than 185% of the federal poverty income guidelines (published each year by the Department of Health and Human Services), are the targeted recipients of SFMNP benefits.

### ***When does the SFMNP operate?***

SFMNP benefits are provided to eligible recipients for use during the harvest season. In some States, the SFMNP season is relatively short, because the growing season in that area is not very long. In other States with longer growing seasons, recipients have a longer period of time in which to use their SFMNP benefits.

### ***How does the SFMNP operate?***

Once the SFMNP benefits have been issued to eligible seniors, they can be used to purchase fresh, nutritious, unprepared, locally grown fruits, vegetables, and herbs at authorized farmers' markets, roadside stands, and community supported agriculture programs. In 2002, these products were available from over 11,000 farmers at 1,600 farmers' markets as well as 1,500 roadside stands and more than 200 community supported agriculture programs.



North Dakota Dietetic Association

January 20, 2005  
Testimony SB 2147

Chairman Flakoll and Members of the Agriculture Committee:

Good morning, my name is Karen Ehrens. I am a Licensed, Registered Dietitian (LRD) and appear before you today on behalf of the North Dakota Dietetic Association asking you to pass SB 2147, the value-added agriculture initiative. As residents, we appreciate and support this initiative which can help strengthen the communities in which we live and work.

The over 280 members of the North Dakota Dietetic Association, with a mission to support the public through the promotion of optimal health and nutrition, strongly support efforts of North Dakota's agricultural producers who grow some of the best food in the world. Indeed, the unique soils of our state may hold the potential for adding value by the nature of health benefits they impart to the grains and beef produced here.

We wish especially to support Section 8 of the bill which seeks to help the Department of Agriculture develop and promote Farmers' Markets throughout the state. Growing and selling produce locally may help to increase the consumption of fresh fruits and vegetables. Only 20 percent of North Dakota adults 18 years and older consume five or more servings of fruits and vegetables daily.<sup>1</sup> And the new Dietary Guidelines for Americans, released in the past week, are suggesting that Americans eat more servings of fruits and vegetables, up to nine servings daily.

Foods picked at the height of ripeness and into your mouth within a day of harvesting taste great and retain the maximum amount of nutrients. Fruits and vegetables grown in California or Florida travel between 1200 and 1600 miles, in a journey lasting several days, before they get here to North Dakota. North Dakota Farmers' Markets can help get the best-tasting and most nutritious produce to our residents.

Diets rich in fruits and vegetables can protect against three causes of death in North Dakota that accounted for two-thirds of total deaths in the state – heart disease, cancer and diabetes.<sup>2</sup> Health promotion programs, such as North Dakota's 5 + 5 Communities Program, have already begun to partner with local Farmers' Markets to help increase awareness of the health benefits of fruits and vegetables, and help people develop the skills to store and cook them. Working together, health and agriculture partners can help improve the vitality of individuals' health and local communities' economies.

Writing for the Board of the North Dakota Dietetic Association,

Karen K. Ehrens, LRD  
Legislative Chair

References

1. North Dakota Behavioral Risk Factor Surveillance Survey, 2002.
2. North Dakota Department of Health, Vital Records, 2002.



## gardendwellers FARM

Caretakers:  
Barry & Holly Mawby

Location:  
6th and Orvis  
Churchs Ferry ND  
58325

Mailing Address:  
PO Box 145  
Churchs Ferry ND  
58325

Phone: 1-701-662-6512  
or 701-351-2520

Web site:  
[www.gardendwellersfarm.com](http://www.gardendwellersfarm.com)

*Specialty Crops*

*Educational classes and  
workshops*

*Horticultural speeches  
and presentations*

*Garden Tours and  
Events*

*Wildlife watching*

Tuesday, January 18, 2005

Dear Legislators,

We would like to thank you for allowing us to testify regarding SB 2147 via our representative. We would also like to thank you for considering the proposed changes to the Agriculture Products and Utilization Commissions guidelines for grant making.

gardendwellers Farm is a nature/agri tourism business that started in July of 2002. Our business is located in Churchs Ferry, along two major highways; a birding trail; on the way to the International Peace Gardens, in a place that is still on the map, with streets and sidewalks and street lights. Our business was ready for its initial customers in June of 2003. In 2004 alone over 1,000 people attended workshops, classes, tours, or presentations by gardendwellers Farm. Our customers came from a wide geographic area including Minot, Grand Forks, Mayville, Langdon, Pembina, Williston, and Canada. At this point we have not marketed our services or events outside of the state.

Our marketing has been fairly low key for a reason. As a small nature/agri tourism business, we need to make sure we have all of the amenities and facilities that tourists need BEFORE we start to entice them to experience gardendwellers Farm. Tourists expect certain things; safety, unique experiences, availability of food and lodging close by, and restroom facilities. Unfortunately, we can provide all of these except restrooms.

As it currently stands, we are not eligible for APUC grant consideration—we are not diversifying a farm or looking to add value to a raw product—we are selling a service, an experience in nature/agri tourism. By adding the nature tourism wording to the current legislation, you have begun to help us grow. We can continue to build and market the business and cooperative marketing is helpful — however without the facilities our growth is limited. We would respectfully ask that you consider broadening the wording so companies like gardendwellers Farm could utilize the APUC funds to build amenities.

Cooperative marketing for nature tourism businesses is extremely important in getting tourists to visit and extend those visits in North Dakota. However, nature tourism is a new and growing area in the state. Many nature/agri tourism businesses such as ours need more than marketing, they need facilities. As a group of entrepreneurs that seems to have slipped through the cracks and is not eligible for other grant programs, this extension of the APUC funding would help not only our business but also the regional businesses affected by our current and future customers.

Respectfully,

Barry and Holly Mawby

Barry and Holly Mawby

Senate Bill No. 2147 ~ Section 8  
Farmers' Market Development and Promotion

**APPROPRIATION OF FUNDS**

**Farmers Market Development**

- Coordinate a mini-grant program to expand and improve existing markets and develop new markets
- Provide administrative services
- Conduct a conference for farmers' markets and producers that CONCENTRATES ON DEVELOPMENT OF MARKETS AND PRODUCERS.
- Develop a Farm-to-Market proto-type program for grade schools and children
- Develop a website for the North Dakota Farmers' Market and Growers Association.

**Promotion/Programs:**

- Promote National Farmers' Market Week: develop a marketing campaign to create awareness
- Development of "support locally grown" campaign and logo
- Develop a Community Supported Agriculture Pilot Program
- Implement the Senior Nutrition Program

**Overall Goals:**

1. Build a farmers' market program that connects producers and consumers.
2. Develop marketing tools and strategies for producers and market managers to ensure long-term sustainability of rural North Dakota.
3. Increase consumer and producer awareness on the benefits of freshly grown North Dakota products to increase penetration and expand markets



# NEWS RELEASE

United States Department of Agriculture - Office of Communications - 1400 Independence Avenue, SW  
Washington, DC 20250-1300 - Voice: (202) 720-4623 - Email: OC.NEWS@usda.gov - Web: www.USDA.gov

Release No. 0156.04

Contact: Susan Acker (703) 305-2286  
Jean Daniel (202) 720-3310

## USDA Awards \$16.7 Million in Grants to 41 States and 6 Indian Tribal Organizations for the Senior Farmers' Market Nutrition Programs

WASHINGTON, April 23, 2004 - Agriculture Secretary Ann M. Veneman today announced fiscal year 2004 grant awards to 47 state agencies and tribal organizations for the Senior Farmers' Market Nutrition Program (SFMNP).

"The Senior Farmers' Market Nutrition Program provides an opportunity for low-income seniors to improve their nutrition by increasing their consumption of fresh fruit and vegetables," said Veneman. "The Senior Farmers' Market Nutrition Program also benefits local farmers because it brings additional customers to their markets. Recipients use the coupons and often some of their own resources for farm products."

The 2002 Farm Bill authorizes and provides \$15 million annually to operate the Senior Farmers' Market Nutrition Program for fiscal years 2003 through 2007. All 40 state agencies that received funding in 2003 will receive funding in 2004. In addition, 4 new States - Colorado, Michigan, Mississippi, and Rhode Island - and 3 new Indian Tribal Organizations - Choctaw (MS), Five Sandoval (NM), and San Felipe (NM) - will also receive funding.

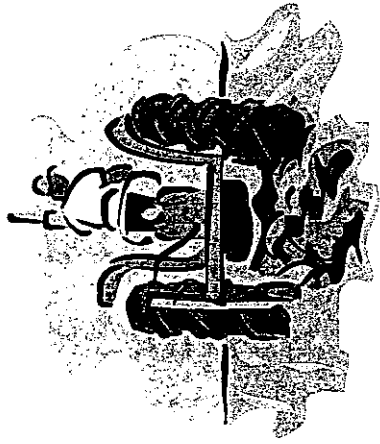
"The Senior Farmers' Market Nutrition Program is a win-win program for communities across the country" said Veneman. "Every day the Senior Farmers' Market Nutrition Program is improving the nutrition of participating low-income seniors who may be nutritionally at risk by helping them purchase fruits and vegetables at farmers' markets."

The SFMNP, established as a pilot program in 2001, provides low-income seniors with coupons that can be exchanged for fresh produce at farmers' markets, roadside stands and community-supported agriculture (CSA) programs. The SFMNP is intended to provide fresh, nutritious, locally grown fruits, vegetables and herbs to low-income seniors and to increase the consumption of agricultural commodities by expanding or aiding in the development of farmers' markets and other outlets.

The SFMNP is expected to serve approximately 600,000 low-income senior citizens nationwide through grants to state agencies and Indian Tribal governments. This year, over 11,000 farmers at more than 3,400 markets, roadside stands or CSA programs will accept coupons for fresh produce.

### SFMNP PROGRAM FY 2004 GRANTS

STATE AGENCY	AWARD
Alabama	\$1,000,000
Alaska	70,498
Arkansas	96,335
California	673,430
Chickasaw Nation, OK	144,845
Choctaw, MS*	15,215
Colorado*	15,000
Connecticut	91,148



# North Dakota Farmers' Market & Growers Association

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November 18, 2004

Presented by:

Paul Deutsch, Chairman of North Dakota Farmers' Market & Growers Assn.

Donna Thronson, North Dakota Department of Agriculture





# North Dakota Farmers' Market & Growers Association Background

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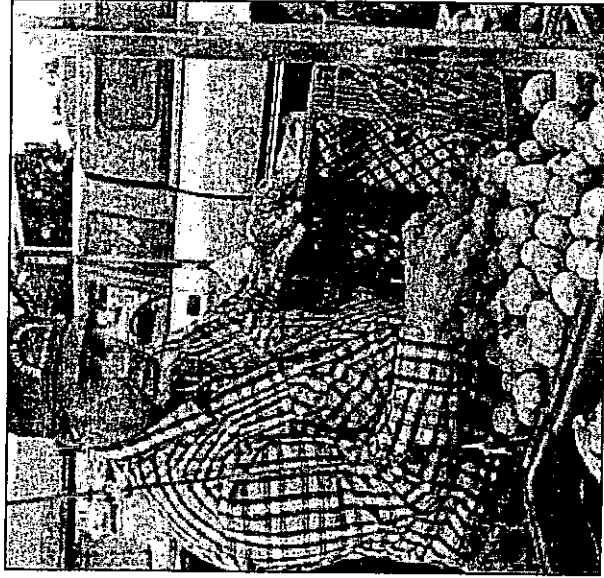
- Formed in January 2004
- Purpose:
  - Build a farmers' market program that connects producers and consumers
  - Develop marketing tools and strategies for producers and market managers to ensure long-term sustainability of rural North Dakota
  - Increase consumer and producer awareness of the benefits of freshly grown or processed North Dakota products.

# Accomplishments

- Coordinated a mini-grant program that resulted in 17 new farmers' markets throughout the state of North Dakota

## North Dakota Farmers' Markets

New Markets	17
Informal Markets	14
Previously Organized	10
<b>Total</b>	<b>41</b>



**There is more work to be done!**



# National Statistics

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- Farmers' markets continue to grow
  - 1994 farmers markets: 1,755
  - 2002 farmers markets: 3,137
    - Increase of 80% since 1994
- Over 67,000 farmers participate in farmers' markets
- Farmers' markets serve approximately 3 million consumers



# Demand for Locally Grown Products

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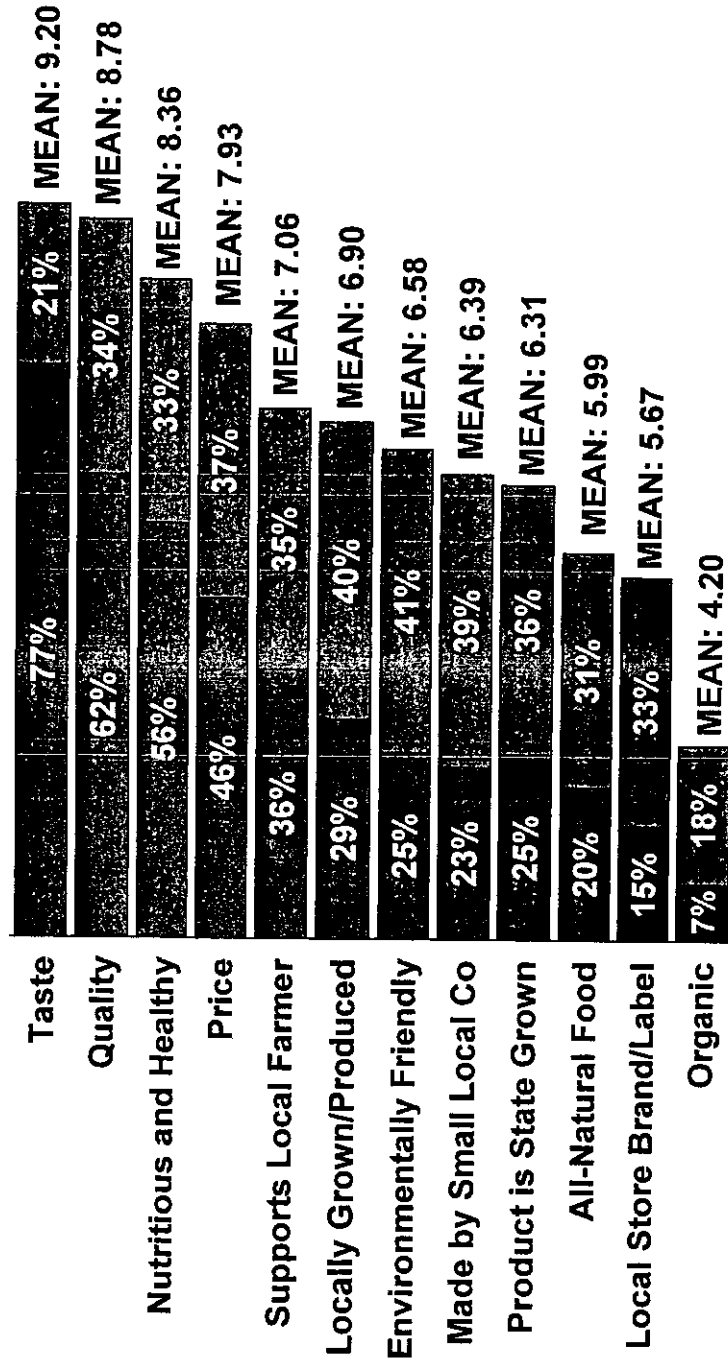
RESEARCH: Ecolabel Value Assessment ~ 2003

Consumer and Food Business Perceptions of Local Foods, Iowa State University

- Highest number of respondents selected “freshness” as the most important reason for buying locally grown foods
- Second highest number of respondents selected “supporting family farmers” as reasons for buying locally grown foods.
- 25% of respondents are willing to pay from 5% to 15% more for locally grown foods
- More than 75% of consumers chose “grown locally by family farmers” as their first choice for reason to purchase

# Demand for Locally Grown Products

Research conducted by University of Nebraska – 2001



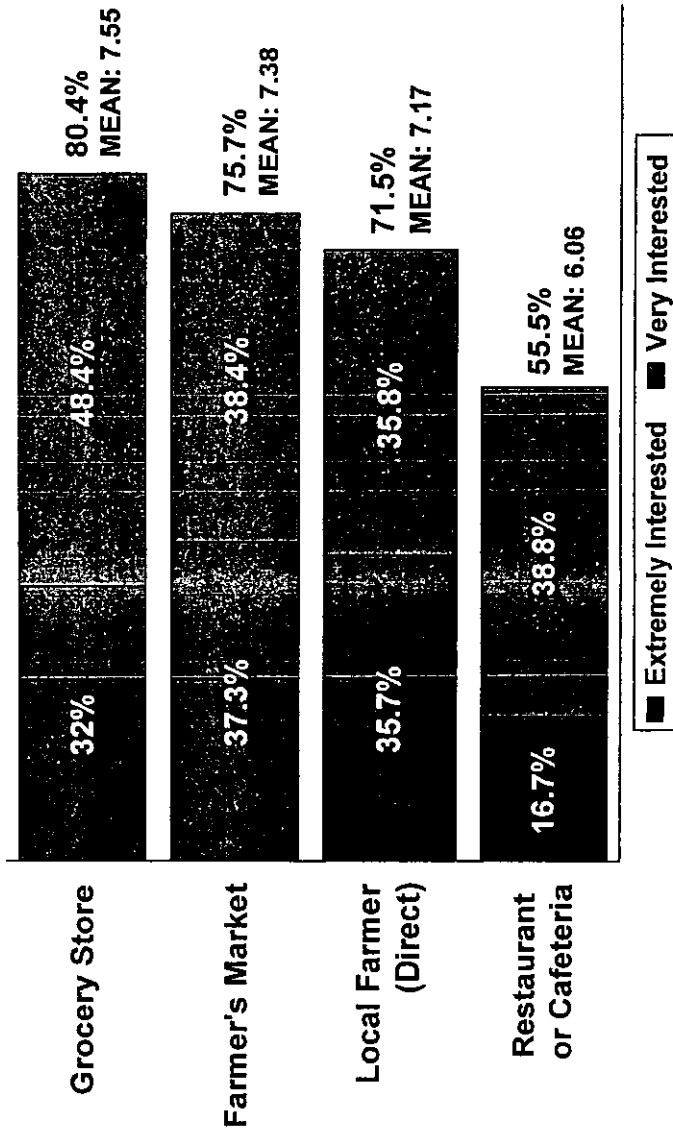
■ Extremely Important ■ Very Important

Base: All Respondents (n=500)

# Demand for Locally Grown Products

Research conducted by University of Nebraska – 2001

## Interest in Purchasing Locally Grown/Produced Products From a...



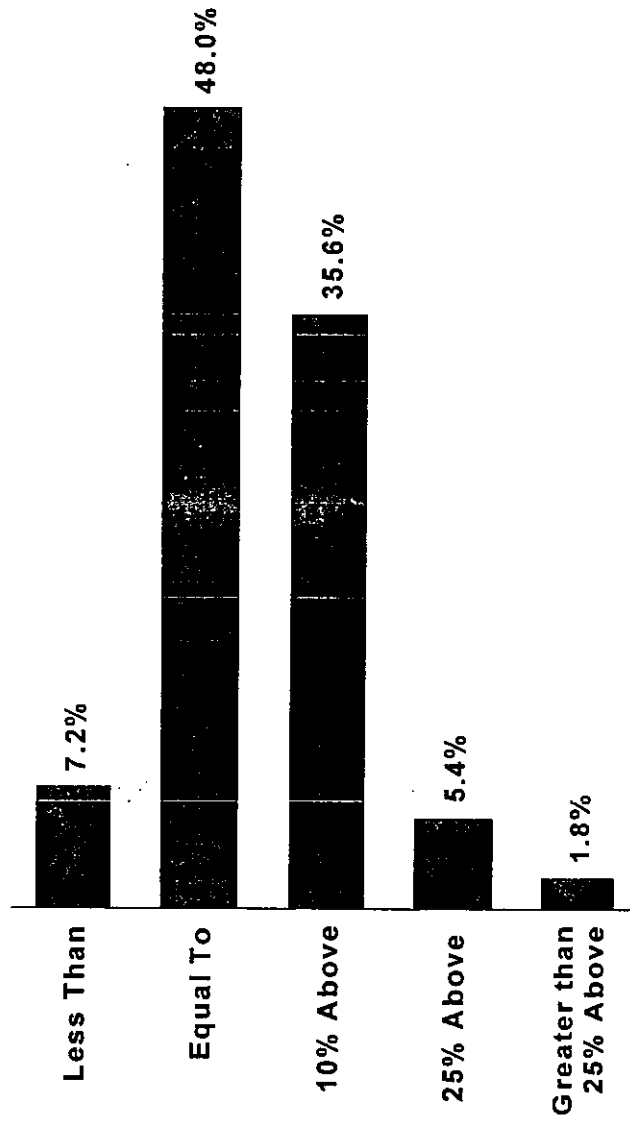
Base: All Respondents (n=500)

# Demand for Locally Grown Products

Research conducted by University of Nebraska – 2001

## What consumers are willing to pay for Locally Grown/Produced Food

In relation to the typical retail price for item



Base: All Respondents (n=500)



# Local Farmers' Market Benefits

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- Keeps money circulating within the local community; supports locally grown efforts to improve a local economy
- Supports the family farmers in your community, some of whom have farmed the land for generations
- Helps promote job creation in the community
- Helps to insulate your community from national recession
- Provide a sense of community; a gathering place for people





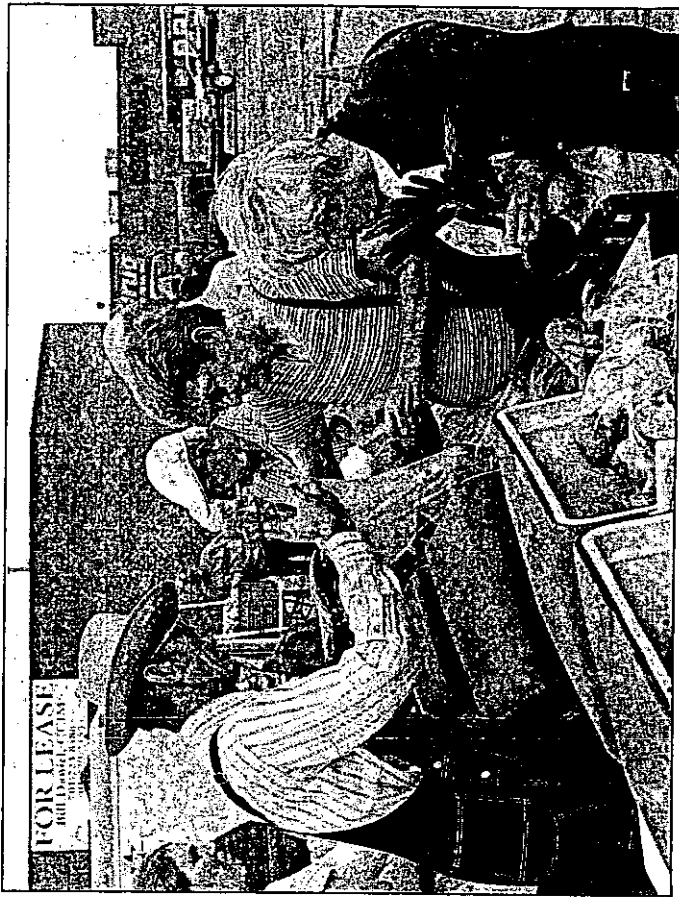
## North Dakota Success Stories

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- Jamestown Farmers' Market
  - Kay Eagleson, Berry Dakota, uses farmers' markets to test market new products
  
- Town Square Farmers' Market
  - Adrienne Wellman, Cavalier, ND ~ sells 80 juneberry pies at the farmers' market at each market event

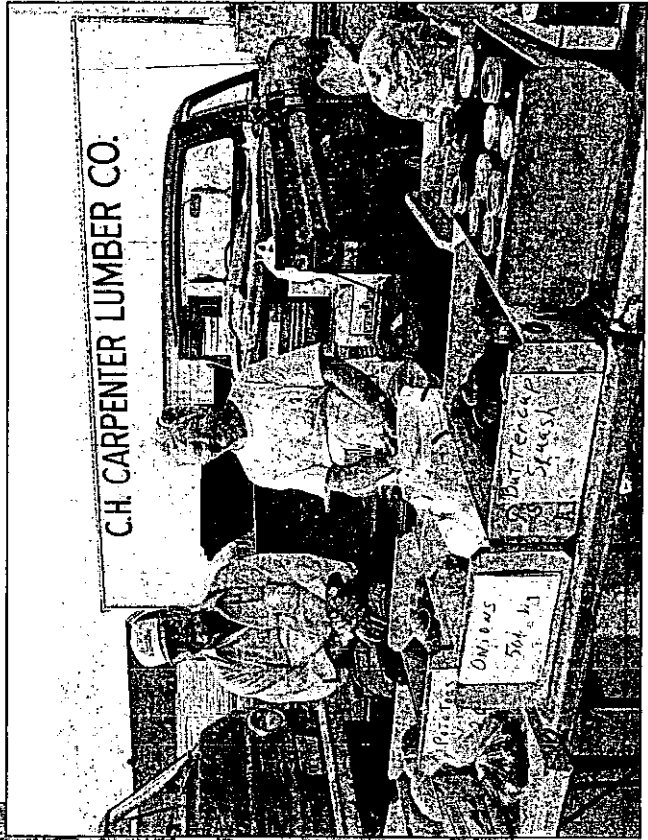
# North Dakota Success Stories

- Washburn/Beulah/Hazen/Bismarck Farmers' Markets
  - Dwight Duke, Skyline Ranch organic farmer, earns 85% of his income at farmers' markets
  - Sells wholesale to Dan's supermarkets
  - Earns approximately \$1,000 per acre
  - Practices greenhouse production



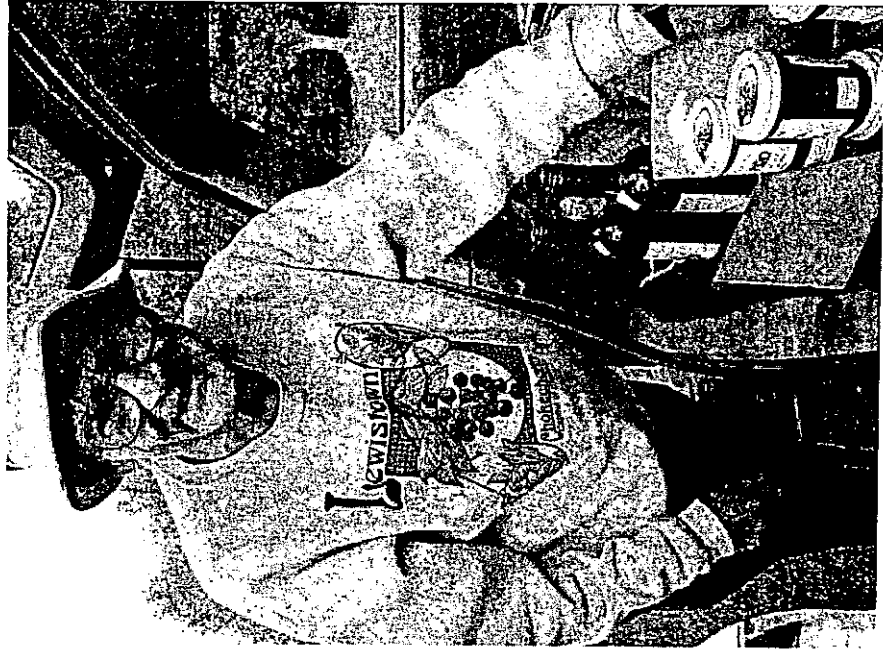
# North Dakota Success Stories

- Valley City Farmers' Market
- Celebrated 25 years of business



# North Dakota Success Stories

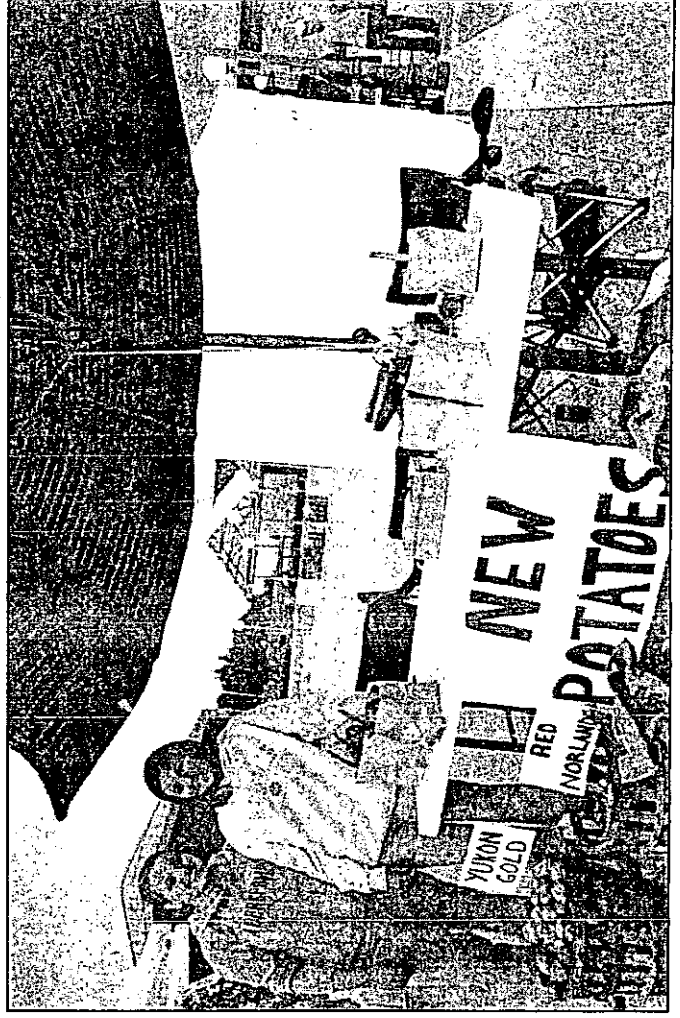
- Rendezvous Farmers' Market
  - **The Jelly Man.** Dean spends much of his time raising money for his beloved Park River Bible Camp by selling his famous "Dakota Wild" jams and jellies. All the proceeds are donated to the Park River Bible Camp. Dean participates as a vendor in the Rendezvous Farmers' Market Region.



# North Dakota Success Stories

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- Raising money for college
  - Payment for college tuition is the goal for these two teenager sisters. Their business has developed from their family's potato farm, located in the Red River Valley.

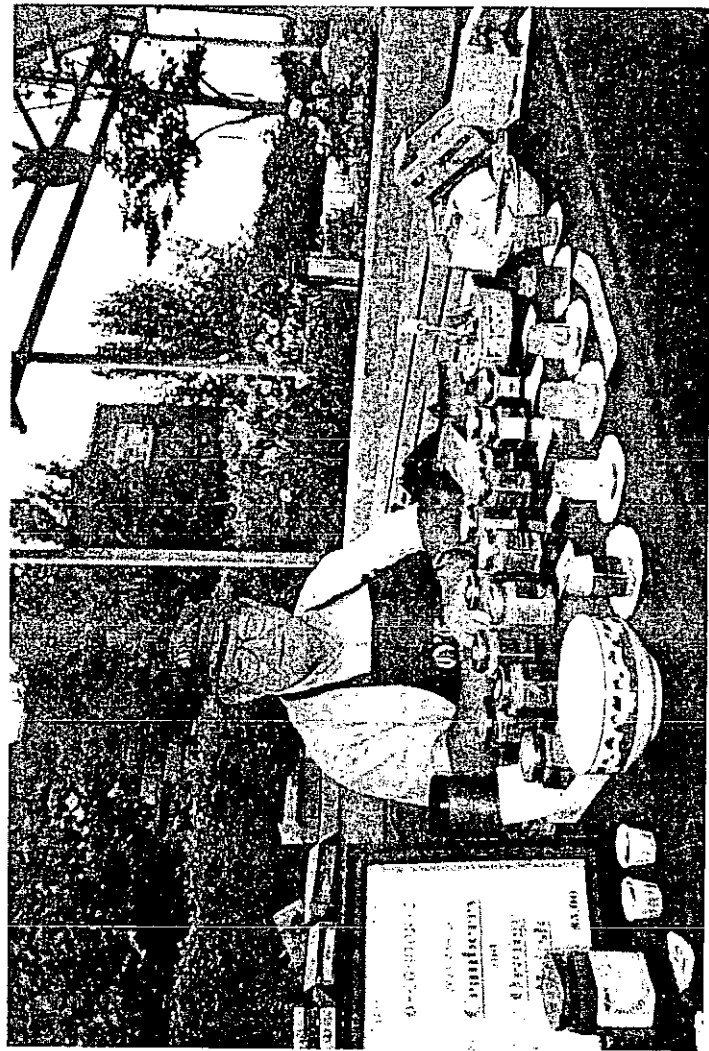


# North Dakota Success Stories

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## □ Promoting Pride of Dakota

- Jerry O'Connor promotes his "Pride of Dakota" mustards at the Town Square Farmers' Market





# The Road to Success for North Dakota Farmers' Markets

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- Continue to develop the “locally grown” farmers’ market industry:
  - Supporting and promoting existing and new farmers’ markets and vendors
  - Developing effective promotion programs to educate the consumer
  - Developing effective programs to improve networking of the farmers’ market industry

Roger Johnson  
Agriculture Commissioner  
www.agdepartment.com



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

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

January 20, 2005

Senate Agriculture Committee:

As per your request, enclosed is the testimony and research from Kathleen Tweeten, Director of NDSU Extension Center for Community Vitality. The documents show support for SB 2147.

Sincerely,

A handwritten signature in black ink, appearing to read "Donna Thronson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Donna Thronson  
Marketing Specialist  
North Dakota Department of Agriculture  
328-4763 or [dthronson@state.nd.us](mailto:dthronson@state.nd.us)



Testimony for Senate Bill No. 2147  
Kathleen Tweeten, Director  
NDSU Extension Center for Community Vitality  
2718 Gateway Ave., Suite 104  
Bismarck, ND 58503  
701-328-9718  
Kathleen.tweeten@ndsu.edu

1/20/05

Mr. Chairman and members of the committee, my name is Kathy Tweeten, director of the NDSU Extension Center for Community Vitality and also an extension specialist in community economic development. I am here in support of Senate Bill no. 2147, specifically for the amendment to section 2 which adds to the Agricultural Products Utilization Commission authority specific language to include "nature-based tourism businesses."

I have worked with agritainment, farm and ranch recreation, nature and rural tourism (whichever name we would like to use) businesses for several years and have had over 500 participants in related workshops across the state. Almost all of our businesses in this area began in the last 10 years, but we have seen exceptional growth in this industry in the past three years. Dr. Schroeder of UND recently conducted interviews with 27 operators and asked them what motivated them to get into the business. Getting rich was not the motivator.....diversification and a desire to create income opportunities for their children were. Dr. Larry Leistritz and Nancy Hodur, NDSU Agribusiness and Applied Economics, have conducted two research studies in the past year and found that on the average about 25% of the family's household income came from the operation's nature based business. This is significant. Their diversification in adding a "nature-based business" may make the difference between being able to remain on the farm or ranch. Dr. Leistritz and Ms. Hodur identified numerous areas of need from the owners including marketing. The addition of "nature-based tourism businesses" will allow the commission to consider them for funding assistance.

In addition, I would like to draw your attention to the written testimony of Holly Mawby of gardendwellers. They have a different need, appropriate restrooms, so they would like you to further change the language to be more encompassing of a variety of needs.

I would be happy to make the research I cited available.

Thank you for your time and consideration of this language change. I encourage your support of SB 2147 and would be glad to answer any questions.



# Journal of Extension

December 2004  
Volume 42 Number 6

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## Motivations of Resource-Based Tourism Operators in North Dakota

**Tim Schroeder**

Associate Professor

Recreation and Leisure Services Program

University of North Dakota

Grand Forks, North Dakota

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### Introduction

The northern Great Plains region of the U.S. has experienced decline in population and economic activity for some time. More than 15 years ago, Deborah and Frank Popper wrote about this trend and suggested that the area be shifted from agricultural use to a more natural, pastoral use they described as the "Buffalo Commons" (Popper & Popper, 1987). Population growth in the 11-state Great Plains region has lagged behind other regions for more than five decades, particularly in the rural areas of the region. While urban counties in the Great Plains grew, 68% of the counties classified as rural lost more than one third of their population from 1950 to 1996 (Rathge & Highman, 1998, p. 19-20).

One of the major causes of depopulation has been dependence on agriculture as a source of economic activity and jobs. Technological advances have greatly reduced the manpower needs and employment opportunities in agriculture. Additionally, low grain prices and bad weather have had significant negative impacts on farmers. A poll of North Dakota farmers indicated that 31% were considering quitting farming. Nearly three-fifths of the farmers surveyed reported being "very concerned" about their own farm's financial condition (Bonham, 1999, p. 1). A strong link between agricultural employment and population loss has been observed by many researchers (Rowley, 1998, p. 3). As agriculture declined as a source of employment, people (especially young adults) left to find work in other areas.

One strategy for overcoming the declining farm economy and farm financial crisis has been economic diversification. Local communities have tried to develop new businesses to help offset the loss of farm jobs and associated economic activity. These new businesses have included value added agricultural processing, light manufacturing, e-business, and tourism.

A recent economic report completed for the State of North Dakota identified tourism as a robustly growing industry for the state, with employment growth averaging 5% per year from 1989 to 1998 (RFA, 2000, p. 61). Casinos developed on Indian reservations were cited as part of the

tourism attraction, but hunting, fishing, birdwatching, and other nonconsumptive nature activities and historic and ethnic culture are also attractions for tourists. As some areas of North Dakota have become less populated and less used for agriculture, the opportunities for resource-based tourism have grown.

Resource-based tourism has characteristics that make it attractive for rural development. Compared to traditional tourism, the level of facility and infrastructure development tends to be low, limited to providing basic to standard facilities. The local community is typically involved in planning and management, and many of the tourist operators are local. Economic impacts tend to be good, with lower levels of economic leakage. Negative social and environmental impacts are limited. (Ewert & Shultus, 1997, p. 99).

The benefits for resource-based tourism as part of a strategy for rural development in North Dakota include:

- Diversification of local economies (Weaver, 1991, p. 5; Blank, 1989, pp. 89-90)
- Supplementing traditional farm income through development of tourism attractions that utilize existing farm resources (Swinnerton & Hinch, 1994)
- Development of new recreational opportunities that serve residents at the same time they serve tourists (Lewis, 1998)
- Fostering pride in the rural community and encouraging resident identification with the community (Lewis, 1998; Huang & Stewart, 1996).

The development of a strong rural tourism economy relies heavily upon the fostering of tourism entrepreneurs. These individuals provide the link between the resources themselves (landscape, wildlife, history, and ethnic heritage) and the delivery of a meaningful tourism experience that will be consumed by visitors. These business entrepreneurs create the economic activity that results in local income, increased tax revenues, and stimulation of other sectors of the economy. The development of the tourism businesses also contributes to positive social change by improving the attractiveness of the local area as a place to live, work and play. (Koh & Hatten, 2002, p. 22).

## Purpose and Methods

The purpose of the study discussed here was to explore the motivations, issues, and backgrounds of small resource-based tourism operators in North Dakota. The intention was to learn more about the operators and their businesses as a starting point for assisting them and similar operators and as a basis of advising other prospective tourism operators.

The sample consisted of 27 North Dakota tourism operators identified from a variety of sources. The sample was selected according to the researcher's judgment, using the criteria of small in scope, related to the resource, and distributed throughout the state of North Dakota. Both consumptive (hunting) and non-consumptive (bird watching, nature study) operators were included, as well as a few lodging establishments closely allied with specific natural resources.

Data was gathered from brochures, Web pages, and promotional literature published by the

operators and regional tourism promotion agencies. Interviews lasting 1-2 hours were scheduled with each operator and conducted at the business site or home community. The guiding questions for the interviews were the following.

- What motivated you to get into the tourism business?
- Describe the service(s) that you provide. What is the nature of your product?
- To what extent have you achieved financial success?
- Besides income, what other factors are satisfying?
- What are the most difficult parts of being in the tourism business?
- What was your background prior to getting into tourism? What in your background helped you?
- What government programs and policies have been helpful to you?
- What programs and policies have been a hindrance or have not helped as intended?
- What type of education, training, development have you sought or do you need?
- What are your research needs?
- How do you market your services? Where?
- What businesses/services do you partner with in the local area?
- Who owns/manages the resources that you utilize? Do you do anything to enhance, preserve or protect those resources?

The operators in the sample were identified from a variety of sources, including North Dakota Tourism Department materials, regional promotional materials, referrals by local and regional tourism leaders, and searches of the Worldwide Web. In a couple of cases, subjects suggested other subjects for the study. Almost everyone who was contacted agreed to be interviewed. There were two potential subjects who declined to participate and one scheduled interview that was cancelled due to an emergency.

The data were analyzed using qualitative methods. The interviews were transcribed and the contents then reviewed using a constant comparison method. The contents were organized according to broad categories, such as "operator motivations," and then into more discrete categories, such as more specific motivations, like "creating income opportunities."

## Results

The study found that small tourism operators were motivated to start and stay in business for a variety of reasons. The motivations expressed by the operators were organized into categories.

## **Diversify Productivity**

One commonly cited motivation for starting the tourism business was a desire to diversify the productivity of the land resource available. Sometimes diversification was discussed from the perspective of economic necessity, due to problems with traditional agriculture. As one respondent expressed the motivation:

The farming economy made us start thinking about how we could make more income. Subsidize the farming, if we can get something to get the living expense up. Most of the farmers around here, especially all the young ones, their wives have the living expense covered in town. There are very, very few where the wife doesn't work.

In other cases diversification was more of a philosophical direction or a challenge to get as much productivity out of the land as possible.

The value of the land is as much what it looks like and what it smells like and sounds like as what it produces for grass or wood or any other kind of thing. . . . I wanted to define a more balanced land use. I mean I really want to diversify. I could see that part of the problem my dad had over the years was that he was too narrowly focused in his resources. All grazing or all farming. I needed more income and I needed to diversify the land use.

I guess two reasons. Having the land available to do it and wanting to make the best use of that land possible. . . . You want to maximize your return per acre. If you have some pretty stuff, with trees and whatnot, its hard to farm it, so what can you do to maximize the return on that per acre. We were driven to do that because of low commodity prices. You have to tweak everything to make it most efficient you can. Just maximizing the return per acre. That's the economic standpoint.

## **Personal Recreation**

Personal recreational interests were a motivation for many of the operators.

I love to do it. I love being out there exploring new areas. Some of my hikes are in areas proposed for wilderness areas. A lot of my hikes go through those areas. You don't see a road, you don't see a high line pole, you don't see an oil well pumping. You feel like you're 100 years back in time. There's no concept of what's going on back in the city. You just lose yourself out there and you find a lot of neat stuff.

As typified by the operator quoted above, many operators started their businesses as an extension of an avocational or recreational activity of their own. These operators wanted to be involved in an industry that related to their own recreational interests and experiences, and to share the enjoyment of those experiences with others.

One year we decided to start a guide service for birding . . . . We enjoyed doing it and just thought it might be kind of fun doing something we liked to do and maybe make some money at it too. We just thought lets try this.

## **Environment-Created Opportunity**

Sometimes the physical, economic, or social environment created an opportunity that the respondent identified and acted upon. This opportunity may have related to the availability of a building that could be converted into lodging, some type of locational advantage in relation to the resource, or becoming aware of significant demand for a type of recreation that could be readily supplied by the entrepreneur. Several entrepreneurs were able to acquire and/or renovate existing buildings into lodging operations. These included old family homes and apartment complexes in dwindling communities. In most of these cases, the start-up costs were rather modest, and they identified a substantial seasonal market for lodging for hunters.

[This building] was constructed in 1979. It was a government rural low-income housing project. In 1999 it was sold on bids. We bid because we just didn't want it leaving the community, they were going to move it out. We didn't know what we were going to do with it. . . . Then someone put a bug in our ear about a lodge and the marvelous hunting in the area.

In other cases, it was a matter of seeing existing or growing demand, such as visitors to the region for the Lewis and Clark Bicentennial or to view wildlife.

We started hearing about the Lewis and Clark bicentennial coming up. . . . It was interest, and timing. Having property right along the river didn't hurt a bit.

Some respondents made the transition of charging a fee for what they were providing for free.

They always say if you are thinking of starting a business, what is it you enjoy doing and you are doing for people for free? It could be an enterprise that you could try for. I did it for years and years for free.

## **Income Opportunities to Keep Children in the Area**

Population loss, particularly out-migration of young people is a serious regional problem.

I don't want to see our communities die. That's one of the reasons I'm trying to help my kids live here. If we don't try, it will become a Buffalo Commons.

Several of the entrepreneurs talked about a desire to create income opportunities that would help keep their children in the area. In the words of one respondent,

The other thing is that we have a son that we are interested in keeping around the area. We want to create something that would create work, create enough income to keep him employed and support a second family on the farm.

## **Civic Mindedness**

Civic mindedness motivated some of the operators. Their businesses were partly aimed at helping the local community, particularly in economic ways.

If I make something financially out of it, great. That would be nice. The other thing, I

kind of wanted to help the community out. I intend to live here, this is where we'll stay. The better off we are economically, it helps us.

By turning this into a lodge was a way to get revenue coming back into a small community. . . . Eventually what I'd like to do is start taking some of this revenue and open the café again. Since the café closed we don't get together like we used to. I guess that's one of the goals I have.

### **Personal Relationships**

A strong thread for most subjects was the positive personal relationships they have developed with their clients. Interactions with visitors were seen as life enriching experiences for those operators who have limited social and cultural opportunities available in their rural settings.

It's more than just the hunt, in the evenings we sit around. The people from New York were talking about the Trade Center bombings. We get to be more than just a client relationship. We care about their family, they care about our family. While we still live 2 different lifestyles, we still have common interests and they're concerned about us just as much as we're concerned about them having a good time.

One of the greatest parts is people coming from all over and just meeting them and talking about what they do in their area. And they come here and say "wow, just look at this, there's not trees anywhere. You can see for miles." Yeah, meeting the different people from around the country and having a chance to visit with them and learn something is part of the enjoyment too. You establish friends, you know.

The operators' motivations were varied, and most talked about multiple motivations. The drive to make a lot of money or have great financial success was hardly evident in their responses. A few acknowledged the potential for their business to someday lead to significant financial success, but financial success did not appear to be a major motivator.

## **Discussion and Implications**

Markley and Macke (2002) discussed three types of rural entrepreneurs: Growth Entrepreneurs, Lifestyle Entrepreneurs, and Survival Entrepreneurs. The operators in this study appeared to fit the two categories of rural entrepreneurs that Markley and Macke called Lifestyle Entrepreneurs and Survival Entrepreneurs.

Lifestyle Entrepreneurs have chosen to live in a rural place and go into business to generate enough income to maintain a desired standard of living. Maintaining the quality of life they seek tends to limit the growth orientation or their business activities. Survival Entrepreneurs are those that are tied to a location or profession and develop multiple business activities to survive economically in that location. Fewer rural entrepreneurs, and only two or three in this sample, fit the definition of Growth Entrepreneurs who want to grow their business enterprises to a level of significant financial success with profound local or regional impact.

The motivations of the operators in the sample are consistent with those found by Nickerson, Black, and McCool (2001). Montana farmers and ranchers reported diversifying income to provide employment for family members, generate additional income, meet the needs of the

market, have companionship with guests, extend an interest or hobby, and better use farm or ranch resources. Getz and Carlsen (2000) also found that almost three-fourths of the rural tourism operators in an Australian sample got started in business for motivations other than business investment, such as appealing lifestyle, work in related business, to preserve the home, as a retirement project, to meet people and other reasons. The results of Getz and Page (1997) are also parallel with these findings, identifying supplementation of farm income and lifestyle considerations as motivations for farm tourism operators.

The results have several implications for how Extension personnel assist prospective tourism operators. Financial success appeared to be a secondary motivation of operators interviewed. Many of the models for encouraging entrepreneurship place an emphasis on business practices and the maximization of financial return. While the resource-based operators interviewed were certainly interested in having enough financial success to maintain the viability of the business, they had other priorities that were as important or more important. Supporting budding tourism operators in such a way as to maintain or maximize other benefits might be just as important as support for business practices. Extension personnel might help tourism operators achieve their motivational goals, such as:

1. Operators need to manage the social relationships that many of them think are important. The operators often discussed the importance of the social relationship with their customers and frequently talked about the customers as "friends." These social relationships sometimes, however, conflicted with the business side of the operation, such as reluctance to increase prices.
2. Optimizing benefit to the community appeared to be another goal for the operators, so it would seem that the local community would have an important stake in their success or failure. Assistance in developing and enhancing community involvement in the business might be another important element of encouraging resource-based tourism.
3. Declining rural areas often abound with opportunities to convert unutilized or under-utilized buildings into lodging for recreational visitors. Technical assistance may be needed to help local entrepreneurs successfully convert these buildings. Meeting the various codes and regulations for lodging enterprises and accessibility are many times new areas to the entrepreneurs.
4. Several of the operators in the sample talked about creating employment or a livelihood for their children, to help keep them in the area. Besides creating jobs for young people, it should also be recognized that hosting visitors helps create a sense that the area is a good one to live in, so good that other people want to visit it. Also services and events for tourists add to the social and cultural stimulation in these rural areas, something that young people often cite as lacking in rural areas.

Extension personnel should seek out or develop materials that recognize a broader range of motivations of small rural tourism operators and provide support and assistance for attaining that broad range of goals. Not only would such an approach increase the satisfaction and success of individual operators, but those motivations relate to positive impacts on the wider community, such as retaining the youth population, enriching the social environment, continuing productive use of buildings, and directly benefiting other community businesses and institutions.

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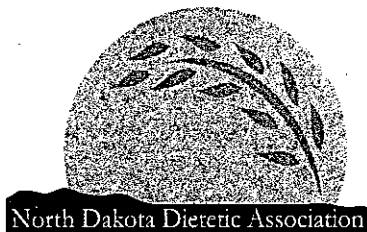
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February 7, 2005  
Testimony SB 2147

Chairman Holmberg and Members of the Appropriations Committee:

Good morning, my name is Karen Ehrens. I am a Licensed, Registered Dietitian (LRD) and appear before you today on behalf of the North Dakota Dietetic Association asking you to include funds requested in SB 2147 for the Farmers' Market initiative.

The over 280 members of the North Dakota Dietetic Association, with a mission to support the public through the promotion of optimal health and nutrition, strongly support efforts of North Dakota's agricultural producers who grow some of the best food in the world. Indeed, the unique soils of our state may hold the potential for adding value by the nature of health benefits they impart to the fruits, vegetables, grains and beef produced here.

We wish especially to support Section 10 of the bill which seeks to help the Department of Agriculture develop and promote Farmers' Markets throughout the state. Growing and selling produce locally may help to increase the consumption of fresh fruits and vegetables. The recently updated Dietary Guidelines for Americans suggest that Americans eat more servings of fruits and vegetables, up to nine servings daily for good health.

Providing funds to the North Dakota Department of Agriculture will help provide access to grant funding for a very important program, the Senior Farmers' Market Nutrition Program (SFMNP). The SFMNP would help to get fresh fruits and vegetables from producers right here in North Dakota to eligible low-income seniors. Foods picked at the height of ripeness and eaten shortly after harvesting taste great and retain the maximum amount of nutrients. Fruits and vegetables grown elsewhere in the US may travel up to 1600 miles, in a journey lasting several days, before they get to us in North Dakota. North Dakota Farmers' Markets can help get the best-tasting and most nutritious produce to our residents.

North Dakota is not yet one of the 42 states and 5 tribal organizations that have been awarded grants for the SFMNP. As nearly 15% of our population is 65 years and older, and that we have the highest proportion of those 85 years of age and older in the nation<sup>1</sup>, the SFMNP could be a way to help our older residents achieve and/or maintain good health as a result of consuming a nutritious diet. Over 67% of those aged more than 65 years consume less than 5 servings of fruits and vegetables a day.<sup>2</sup> Our residents continue to age and move off the farms to town or move from their own homes to condos or apartments. Due to being where they have less chance to garden and perhaps declining agility, our seniors may have less access to gardens, and therefore fresh fruits and vegetables. The SFMNP could help to turn this around.

Diets rich in fruits and vegetables can protect against three causes of death in North Dakota that accounted for two-thirds of total deaths in the state – heart disease, cancer and diabetes.<sup>3</sup> Health promotion programs, such as North Dakota's 5 + 5 Communities Program, have already begun to partner with local Farmers' Markets to help increase awareness of the health benefits of fruits and vegetables, and help people develop the skills to store and cook them. Working together, health and agriculture partners can help improve the vitality of individuals' health and local communities' economies.

For the Board of the North Dakota Dietetic Association,



Karen K. Ehrens, LRD  
Legislative Chair

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**Testimony of Roger Johnson**  
**North Dakota Agriculture Commissioner**  
**Senate Bill 2147**  
**Senate Appropriations Committee**  
**Harvest Room**  
**February 7, 2005**

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Chairman Holmberg and members of the Senate Appropriations Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of SB 2147 as proposed to be amended by Senator Taylor, which provides a variety of new tools for the development of value-added agriculture in North Dakota.

### **Background**

The purpose of this legislation is to stimulate the development of value-added agriculture in North Dakota. As you know, agriculture has long been the cornerstone of North Dakota's economy. We lead the nation in the production of thirteen different commodity categories – flaxseed, canola, durum wheat, oil sunflower, all sunflower, pinto beans, dry edible peas, non-oil sunflower, spring wheat, navy beans, barley, all dry edible beans and oats.

North Dakota agriculture generated more than \$4.4 billion in cash receipts in 2003. The crop and livestock mix is illustrated in Figure 1.



## **SB 2147: Livestock Components**

*Sections 1 & 8* create a North Dakota certified beef program and provide a \$100,000 appropriation to fund the program. The certified beef program is aimed at adding value to North Dakota beef and increasing profits for our state's producers, feeders and processors.

The program uses a source-verified and process-verified marketing approach. It would set up protocols to distinguish North Dakota's beef production as the nation's best source of beef and beef products.

The certified beef program will help create new markets for source-verified beef and has the potential to help producers gain increased access to domestic and foreign markets. The program would also leverage existing resources including the pilot USDA animal identification project and the Beef Center of Excellence.

The appropriation would be used to develop the identification protocol and to contract for marketing services to develop and begin to implement a marketing plan for this source-verified beef.

The state of South Dakota and the Iowa Cattle Producers have already developed certified beef programs, and more states are expected to follow suit. Source-verified beef and beef products will continue to grow in demand as countries around the world deal with disease outbreaks and issues and consumers demand more information about the food they eat.

*Sections 3, 7 & 10* create a livestock loan guarantee program at the Bank of North Dakota (BND) and provide an expiration date of June 30, 2009, for the program. The program would be available to qualified applicants, who are commercial cattle feedlot operators who background or feed cattle to final market weight. BND would establish rules and guidelines for the guarantee program.

This program is designed to encourage livestock feeding in North Dakota. It eliminates the need for potential livestock owners to supply financial statements and it encourages the development of feedlots that have professional expertise in feeding cattle, thus reducing bad experiences in feeding cattle.

Section 7 of the bill provides a mechanism for a joint report back to the Legislature by the Bank of North Dakota, the North Dakota Stockmen's association and the Agriculture Commissioner.

Figure 8 provides a flow chart of how the guarantee program would work:

*Sections 4* provides for an ag processing facility business investment tax credit. For your reference, two other bills – SB 2177 & SB 2178 - have been introduced which would do similar things. The state currently provides a 30 percent income tax credit to taxpayers who invest in agricultural processing facilities. This expands the definition of agricultural processing facilities to include dairy operations, livestock feedlots and swine feeding and finishing operations. Let me give you an example. A producer invests \$20,000 in a livestock operation. Under current law (pages 3 & 4 of SB 2147), three factors come into play:

- Any investment over the first \$20,000 is not eligible for the credit.
- No more than 50 percent of the tax credit can be taken in any one year.
- The credit can be carried forward up to 15 years.

Utilizing the North Dakota income tax tables, a married person with a \$50,000 taxable income would pay \$1,078 in state income tax. Since the maximum credit allowed each year is no more than one half of the liability, the investor could take a \$539 tax credit. If that same taxpayer had the same continual earnings, in 11 years he would end up receiving the \$6,000 in credits.

If that same investor had taxable income of \$100,000 each year, he would pay \$3,036 in state income. One half of that, or \$1,518, could be used as a credit and in about four years the full \$6,000 credit could be utilized.



*Sections 5 & 6* provide an incentive to encourage new construction of livestock facilities by refunding state sales tax charged on construction material for beef, dairy, sheep, hogs, or poultry production facilities and defines the refund time period. A production livestock facility is defined as “new building, structure, equipment, and fixtures constructed for livestock production, but not including structures such as grain bins or other storage facilities incidental to livestock production.”

As an example, if \$40,000 was invested in a new livestock facility and one-half of the investment was used to purchase equipment and building materials, the producer would receive a sales tax refund of \$1,000.

Another example would be a larger dairy operation. It costs approximately \$2.5 million to construct an 800-cow dairy. Approximately 50 percent of that amount would be used for building materials and equipment that are subject to sales tax. The savings on sales tax would be \$62,500.

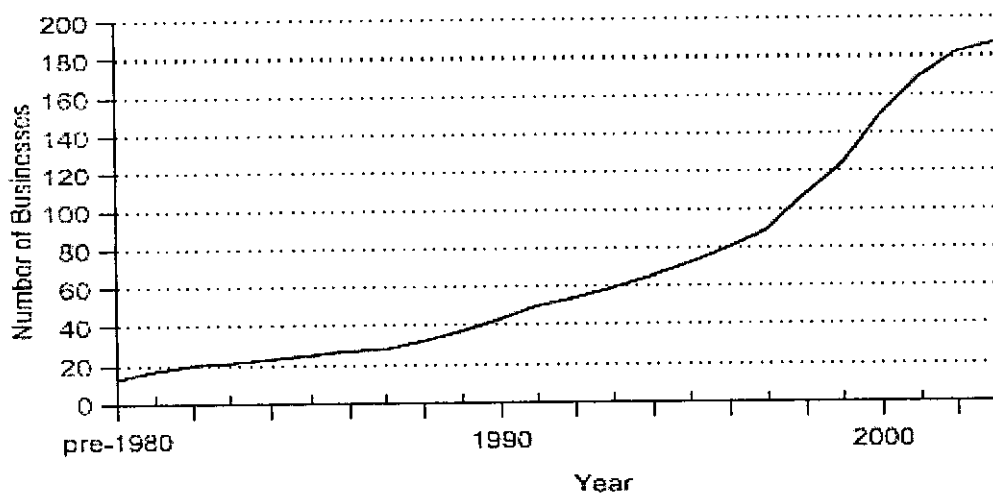
If the facility has not been used for livestock production within five years from the time of the refund, the owner is liable for repayment of the full amount of taxes.

### **Growing New Value-added Industries**

SB 2147 would not only provide new opportunities to responsibly expand livestock production in North Dakota, but would also jumpstart the nature-based/agri-tourism industry and provide additional resources for farmers’ market development throughout the state. SB 2147 would also

promote the growth of value-added agricultural processing through tax incentives and by helping distressed companies resolve financial and marketing problems.

As you can see in Figure 9, the number of outdoor recreation-related businesses has increased significantly over the last decade. According to *Characteristics of Nature-based Tourism Enterprises in North Dakota* by Nancy M. Hodur, Dean A. Bangsund, & F. Larry Leistritz (July 2004), 85 percent of the study respondents started their businesses after 1990. Over 75 percent of respondents agreed that outdoor recreation-related tourism enterprises offer both their local area and rural areas throughout the state economic development opportunities.



**Figure 9** Year Business Operations Began, Outdoor Recreation-related Businesses, 2003.

Farmers' markets are another growing industry in North Dakota, and they serve an important role in agriculture. Early last year, the North Dakota Department of Agriculture and the NDSU Extension Service sponsored a farmers' market conference and were able to successfully organize a statewide farmers' market association – the North Dakota Farmers' Market and Growers Association, Inc (NDFMGA).

*Section 2* provides new authority to the Ag Products Utilization Commission (APUC) to allow grants to be made to nature-based/agri-tourism businesses that add economic value to rural areas. The growing nature-based tourism sector of our economy will benefit from the synergies of conducting marketing efforts collectively rather than individually.

APUC would also be given new authority to provide technical assistance to value-added businesses that are encountering difficulties. Such technical assistance can be key in assisting value-added businesses that encounter issues ranging from marketing to management problems.

Figure 11 depicts the mix of business stages of the more than 90 value-added ag projects across North Dakota:

**ND Value-Added Ag Projects**

<b>Project Stage</b>	<b>Number</b>
Planning	17
Operational	36
Inactive	18
Closed	15
Reassessing	1
For Sale	1
Dissolved	1
Recently Purchased	2

Source: ND Department of Agriculture, NDAREC Rural Development Program, April 2004.

**Figure 11**

Over the years, we have all become aware of recently organized value-added businesses that have struggled with marketing, management, production, technological and other problems. This new authority would allow APUC to provide help in such circumstances.

Finally, APUC would be provided the authority to negotiate repayment of grants on a case-by-case basis through preferred stock or intellectual interests in a new business in situations where the public interest needs to be better protected. This authority would be helpful relative to projects that involve development of ideas or commercialization of technology. These types of projects can be especially mobile, with no plant or other construction that would tie the project to North Dakota. The ability to take contingent ownership of intellectual property would protect the state's interests if such projects are developed with APUC funds but ultimately commercialized elsewhere. This ability would likely be used only once or twice a biennium; however, in certain grant proposals, the ability to protect the state in such ways may be the difference between funding a grant or not funding a grant.

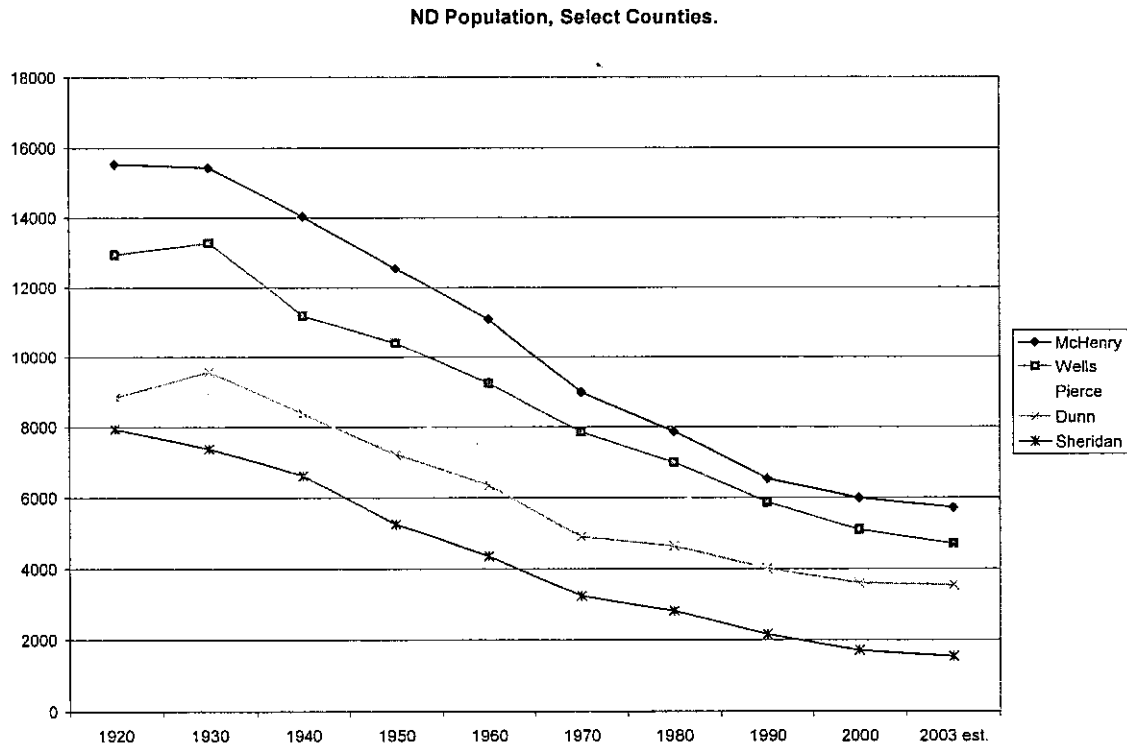
*Section 9* seeks an appropriation of \$100,000 designated to the North Dakota Department of Agriculture to further develop farmers' markets. The funds will be used to provide mini-grants to communities to expand, improve and develop markets and to build a statewide farmers' market program that provides marketing assistance, education, and other developmental resources.

## **Summary**

It is my hope that you will look favorably on SB 2147 and other legislation introduced during this session that seeks to expand and improve value-added agriculture in North Dakota. While this legislation is critically important to the future of agriculture in this state, further development of

value-added agriculture industries will provide a significant economic impact to the economies of the rural areas in North Dakota.

According to the US Census, North Dakota had a small net gain in population in 2003. Many of you on this committee represent rural legislative districts, and I know you are well aware that population growth isn't occurring in the majority of those rural counties. Figures 12 & 13 show the extent of population decline in selected counties in North Dakota.



**Figure 12**

*PASSED out by  
Bill Price*

March 4, 2005

Senate Bill 2147 – Specifically Section 3

Mr. Chairman

My name is Tom Bresnahan a partner in Sinner Bros. & Bresnahan farming, feedlot partnership in Casselton, ND. We have a feedlot in Cass County plus we also are having cattle fed for us in 2 North Dakota and 1 South Dakota custom feedlot.

I am here today to present testimony in favor of Senate bill 2147, specifically Section 3.

As a director of the North Dakota Feeder Council we have had numerous discussions and meetings attempting to put North Dakota on an even playing field with other cattle feeding states. Other states banking industry looks at their cattle feeding industry as a windfall, it appears our state views it as high risk industry.

In North Dakota many of our feedlots are smaller and spread out, therefore having limited number of banking personnel that are comfortable with the cattle feeding, plus the carrot for the banking personnel sometimes doesn't appear that great. It creates a situation where North Dakota is missing numerous economic development opportunities.

With some of the new EPA requirements and cost share programs, there are number of feedlots being upgraded and constructed. The only way many of these new facilities will survive is if cattle are fed in them.

The capital needed to finish cattle is huge. We just sold five loads of cattle and the average net value after trucking is over \$1200 per head. Many of these new feedlots are 1500 head capacity. You can do the math as well as I can, and it becomes obvious how large the capital needs are. To some that sounds like huge risk, but to other cattle feeding states it's a big fat carrot and an economic windfall.

Managing a feedlot is managing risk.

- 1) Performance risk....feed conversions, average daily gains, yields, dressing percentages
- 2) Health risk....sickness, death loss
- 3) Weather risk.....storms, cold, heat, rain, snow, mud
- 4) Market risk.....supply & demand risk, BSE risk, basis risk

Any good manager defines those risks and utilizes the tools necessary to reduce or limit those risks.

We have nutritionists that assist with feed rations and reduce performance risk, we have vaccination programs that reduce health risk, we have wind breaks and sheds to limit weather risk, but the risk I think many are really afraid of is market risk.

We have tools for that too, we have options, option fences, basis contracts, forward contracts, and future contracts. Risk isn't a bad thing, if handled properly, risk actually creates reward.

And when you really look at the risk, the owner (the person who is putting up the investment) has to lose more than \$150 per head before there is any risk at all, and that still is assuming no use of (marketing) risk management.

**The assumption here is that managers will use "risk management". The Bank of North Dakota will set up the criteria, one of which should be management skills, and we'd expect that all forms of risk management would be part of that criteria including (marketing) risk management.**

This is not a bill that gives a bunch of money away. This is a bill that creates growth for truckers, veterinarians, commission buyers, feed manufactures, corn growers, gas stations, feedlot employees, restaurants, not to mention bankers. A typical interest charge per animal & feed is near \$20. It's pretty easy to add over \$400-\$500 on the value of every calf. That's is value added from North Dakota. Again, you can do the math, but that becomes one big number.

**This bill isn't a fix all. We have a long, long way to go before we even come close to Nebraska or other "cattle feeding" states.**

**But this bill is a start .**

In recap, the cattle industry in North Dakota is way behind. We have feed, we have cattle, we have space, we have expertise, we have the ability, we just need to sell it.

This bill will encourage feedlot managers to step to the plate and become better managers.

This bill will encourage additional feeding in North Dakota.

This bill will create opportunity for others to embrace the feeding industry in North Dakota.

This bill will create value-added growth.

This bill will demonstrate that the leadership in North Dakota believes in cattle feeding.

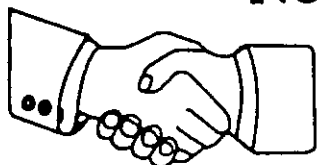
But, this bill is just a tool, a tool to help change the long standing "fear" of North Dakota cattle feeding, to a "big fat carrot", and economic growth!

Let's get this thing going.

Tom Bresnahan  
Sinner Bros. & Bresnahan Partnership  
Farm & Feedlot  
Casselton, ND 58012  
701-347-4900



North Dakota



**Ag Coalition**

Testimony of Paul Thomas  
North Dakota Ag Coalition  
Before the House Agriculture Committee  
March 4, 2005  
Testimony on SB 2147

Chairman Nicholas, Members of the House Agriculture Committee, I am Paul Thomas, Administrator of the North Dakota Ag Coalition. The North Dakota Ag Coalition supports SB 2147.

The North Dakota Ag Coalition represents forty agriculture organizations across North Dakota. For the Coalition to take a position on a bill, seventy-five percent of our voting members must agree upon the position.

SB 2147 will stimulate increased investment in North Dakota feeding enterprises. The financing opportunity created for investors will very likely have an immediate impact on people's interest in cattle investment. Individual's not otherwise likely to explore the investment opportunity of cattle ownership, are likely to do so when presented with the reduced equity requirements created in SB 2147. Investment in cattle will benefit existing cattle feeding operations, likely spur investment in new feeding operations and provide more local markets for our abundance of feed grains grown within the state.

Chairman Nicholas, members of the House Agriculture Committee I urge your support for Value Added Agriculture; I urge your support for SB 2147. Thank you for the opportunity to appear before you and I will be happy to try and answer any questions you have.

Roger Johnson  
Agriculture Commissioner  
www.agdepartment.com



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

*With exception of  
these pages  
same given to  
Senat Agriculture  
Committee*

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

**Testimony of Roger Johnson**  
**North Dakota Agriculture Commissioner**  
**Senate Bill 2147**  
**House Agriculture Committee**  
**Peace Garden Room**  
**March 4, 2005**

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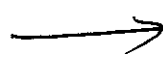
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Chairman Nicholas and members of the House Agriculture Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of SB 2147, which provides a variety of new tools for the development of value-added agriculture in North Dakota.

## **Background**

The bill as introduced was comprehensive legislation to stimulate the development of value-added agriculture including nature-based tourism in North Dakota. As you know, agriculture has long been the cornerstone of North Dakota's economy. We lead the nation in the production of thirteen different commodity categories – flaxseed, canola, durum wheat, oil sunflower, all sunflower, pinto beans, dry edible peas, non-oil sunflower, spring wheat, navy beans, barley, all dry edible beans and oats.

North Dakota agriculture generated more than \$4.4 billion in cash receipts in 2003. The crop and livestock mix is illustrated in Figure 1.



## **SB 2147: Livestock Components**

*Section 2* creates a livestock loan guarantee program at the Bank of North Dakota (BND) and provides an expiration date of June 30, 2009, for the program. The program would be available to qualified applicants, who are commercial cattle feedlot operators who background or feed cattle to final market weight. BND would establish rules and guidelines for the guarantee program.

This program is designed to encourage livestock feeding in North Dakota. It eliminates the need for potential livestock owners to supply financial statements and it encourages the development of feedlots that have professional expertise in feeding cattle, thus reducing bad experiences in feeding cattle.

*Section 3* of the bill provides a mechanism for a joint report back to the Legislature by the Bank of North Dakota, the North Dakota Stockmen's association and the Agriculture Commissioner.

Figure 8 provides a flow chart of how the guarantee program would work:

*Section 1* provides new authority to the Ag Products Utilization Commission (APUC) to allow grants to be made to nature-based/agri-tourism businesses that add economic value to rural areas. The growing nature-based tourism sector of our economy will benefit from the synergies of conducting marketing efforts collectively rather than individually.

APUC would also be given new authority to provide technical assistance to value-added businesses that are encountering difficulties. Such technical assistance can be key in assisting value-added businesses that encounter issues ranging from marketing to management problems.

Figure 11 depicts the mix of business stages of the more than 90 value-added ag projects across North Dakota:

**ND Value-Added Ag Projects**

<b>Project Stage</b>	<b>Number</b>
Planning	17
Operational	36
Inactive	18
Closed	15
Reassessing	1
For Sale	1
Dissolved	1
Recently Purchased	2

Source: ND Department of Agriculture, NDAREC Rural Development Program, April 2004.

**Figure 11**

Over the years, we have all become aware of recently organized value-added businesses that have struggled with marketing, management, production, technological and other problems. This new authority would allow APUC to provide help in such circumstances.

Finally, APUC would be provided the authority to negotiate repayment of grants on a case-by-case basis through preferred stock or intellectual interests in a new business in situations where the public interest needs to be better protected. This authority would be helpful relative to projects that involve development of ideas or commercialization of technology. These types of projects can be especially mobile, with no plant or other construction that would tie the project to North Dakota. The ability to take contingent ownership of intellectual property would protect the state's interests if such projects are developed with APUC funds but ultimately commercialized elsewhere. This ability would likely be used only once or twice a biennium; however, in certain grant proposals, the ability to protect the state in such ways may be the difference between funding a grant or not funding a grant.

### **SB 2147: Items Eliminated from the Current Version**

The introduced version of SB2147 also included a number of important provisions that were deleted in the Senate.

- As introduced, SB2147 would have created a North Dakota certified beef program and provide a \$100,000 appropriation to fund the program. The certified beef program is aimed at adding value to North Dakota beef and increasing profits for our state's producers, feeders and processors. The program would have used a source-verified and process-verified marketing approach. It would have set up protocols to distinguish North Dakota's beef production as the nation's best source of beef and beef products.

- Another deleted section would have provided for an ag processing facility business investment tax credit. For your reference, two other bills – SB 2177 & SB 2178 – were introduced which would do similar things. The state currently provides a 30 percent income tax credit to taxpayers who invest in agricultural processing facilities. This would have expanded the definition of agricultural processing facilities to include dairy operations, livestock feedlots and swine feeding and finishing operations.
- Another deleted provision would have provided an incentive to encourage new construction of livestock facilities by refunding state sales tax charged on construction material for beef, dairy, sheep, hogs, or poultry production facilities and defines the refund time period. For your information SB2177 does expand these tax incentives to dairy operations.
- The original version of SB 2147 provided an appropriation of \$100,000 designated to the North Dakota Department of Agriculture to further develop farmers' markets. The funds will be used to provide mini-grants to communities to expand, improve and develop markets and to build a statewide farmers' market program that provides marketing assistance, education, and other developmental resources. Seventeen new farmers' markets were organized across the state in 2004, bringing the total number of farmers' markets statewide to 41 (see Figure 10). Another 14 communities have expressed interest in beginning or expanding their farmers' markets.

Feb 7, 2005

SB2147

Appropriations for the North Dakota Farmer's Market and Growers Association.

The Association helps chapter farmer's market with marketing ideas, new growing techniques and access to weed and pest control solutions.

The Association could also help chapter market learn about and obtain the new banking technology. Many customers and tourists who would prefer to use their debit or credit cards when shopping at the market. This type of technology could also be used for a senior nutrients program, Wic program, and EBT cards. Granting access to the people in the community that benefit the most from fresh fruits and vegetables.

The Association could also be a big help with a cookbook. This cookbook would not only have recipes but also safe and sanitary methods to dehydrate, can, freeze, or store their produce.

I would like to thank-you for allowing me to speak before you today.

Bonnie Munsch

Member of Capital City Farmers Market

*Center for Community Vitality**Director  
Community Economic Development Specialist  
2718 Gateway Ave., Suite 104  
Bismarck, ND 58503*

Testimony for Senate Bill No. 2147  
Kathleen Tweeten, Director  
NDSU Extension Center for Community Vitality

3/4/05

Chairman Nicholas and members of the committee, my name is Kathy Tweeten, director of the NDSU Extension Center for Community Vitality and also an extension specialist in community economic development. I am here in support of Senate Bill no. 2147, Value-Added Agriculture Initiative." A portion of the bill requests new authority to Ag Products Utilization Commission (APUC) to allow cooperative marketing or industry development grants to be made to nature-based agritourism businesses that add economic value to rural areas.

I have worked with agritainment, farm and ranch recreation, nature and rural tourism (whichever name we would like to use) businesses for several years and have had over 500 participants in related workshops across the state. Almost all of our businesses in this area began in the last 10 years, but we have seen exceptional growth in this industry in the past three years. Dr. Schroeder of UND recently conducted interviews with 27 operators and asked them what motivated them to get into the business. Getting rich was not the motivator.....diversification and a desire to create income opportunities for their children were. Dr. Larry Leistriz and Nancy Hodur, NDSU Agribusiness and Applied Economics, have conducted two research studies in the past year (see handouts) and found that on the average about 25% of the family's household income came from the operation's nature based business. This is significant. Their diversification in adding a "nature-based business" may make the difference between being able to remain on the farm or ranch. Dr. Leistriz and Ms. Hodur identified numerous areas of need from the owners including marketing. The addition of "nature-based tourism businesses" will allow the commission to consider these types of businesses for funding assistance.

Thank you for your time and consideration of this language change. I encourage your support of SB 2147 and would be glad to answer any questions.





Appropriations Testimony

Sen. Ryan Taylor

SB ~~2147~~

2147

Good morning, Mr. Chairman and members of the senate appropriations committee. For the record, my name is Ryan Taylor and I serve in the senate for the seventh district of our great state.

I'm here this morning to discuss with you SB 21~~48~~<sup>47</sup>, an agency bill of the Ag Department that is also sponsored by myself and others who have a passion for furthering the business of adding value to North Dakota's agricultural bounty.

Our intent with this bill is to stimulate activity in North Dakota's value added ag sector. Incidentally, value added ag is one of the five cornerstones of economic development targeted by the governor and the state commerce department. And, of the five, I'd wager that it packs the most punch in sheer economic impact for the state.

I base that on some of the work done at NDSU in their North Dakota Input/Output Model just updated in 2004. It assigns multiplier effects to different segments of the state economy. When you invest a dollar in a particular segment, what is its turnover in the state economy?

Here's a few examples. For petroleum refining it's about 1.3; for retail trade it's 2.1; coal mining is 2.5; finance, insurance and real estate is 3.6; ag processing is 4.4; and, here's the pitch, for livestock agriculture it's 4.5! Every dollar invested in livestock agriculture will turn over 4.5 times in our state's economy.

That's the basis of why we would ask you to look favorably on the investments asked for in several of the sections of SB 21~~48~~<sup>47</sup>. I don't want to waste any of our time together this morning. Commissioner Johnson will be visiting with you about the two appropriations for a certified beef program and the farmer's market program. I'd like to touch on the expansion of the ag business investment tax credit and the sales tax exemption for production livestock facilities.

We are proposing an expansion of the ag business investment tax credit to include some production livestock ventures, as their impact on our economy and our commodity usage is actually a little greater than the ag processing facilities currently included in the credit program. The estimated fiscal impact of this expanded definition is not estimated by the tax department.

We are also proposing a four year sales tax exemption for new and expanding production livestock facilities. The estimated fiscal impact of this incentive is \$850,000 for the next biennium, according to the tax department. If it was all taken at the 5 percent level, it means livestock producers would have invested \$17 million in our state's livestock sector.

If it was all in feedlots, \$17 million at \$250 per head of capacity would have built us another 68,000 head of feedlot capacity capable of finishing 136,000 head per year. Extrapolating some numbers provided by Larry Leistrich, 136,000 head would increase the state's personal income by about \$87.9 million and retail sales by \$52 million. If the fiscal comes true, we should rejoice in the net effect it would have on the state's future tax receipts.

I would be happy to answer any questions.



## Convention & Visitors Bureau

March 3, 2005

Mr. Chairman and members of the House Agricultural Committee, my name is Terri Thiel and I am the Executive Director of the Dickinson Convention & Visitors Bureau.

**The Dickinson Convention & Visitors Bureau is in favor of Senate Bill 2147.**

We believe this bill would have a positive economic impact on the state and rural areas in particular. By including a nature-based tourism grant program within the Agricultural Product Utilization Program, rural businesses will be able to access a program that will enable them to diversify into the tourism industry.

Tourism is North Dakota's second largest industry behind agriculture. By creating the opportunity to grow, our rural agricultural businesses will be able to package vacations and products that could include - working farms, ranches, wineries, birding experiences, canoeing and many other nature-based activities that the leisure traveler is looking for as a unique and hands on experience.

Agri-Tourism the merging of two powerful industries: Travel and Agriculture. Both of these industries offer the heritage and product of our North Dakota citizens, showcasing our state to the world, while creating valuable economic dollars for our rural areas.

**Please support Senate Bill 2147.**

Sincerely,

Terri Thiel  
Executive Director

Contact NDEU or State Library for a copy -

Agribusiness & Applied Economics Report No. 537

July 2004

# Characteristics of Nature-based Tourism Enterprises in North Dakota

Nancy M. Hodur, Dean A. Bangsund,  
and F. Larry Leistritz



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