

AGRICULTURE

CHAPTER 71

SENATE BILL NO. 2373

(Senators Erbele, Lemm, Luick)
(Representatives Brandenburg, Hauck, Schreiber-Beck)

AN ACT to create and enact a new section to chapter 4.1-01 of the North Dakota Century Code, relating to the establishment of the livestock-friendly county designation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 4.1-01 of the North Dakota Century Code is created and enacted as follows:

Livestock-friendly county designation - Establishment by commissioner.

1. The commissioner shall establish a livestock-friendly county designation to recognize and assist efforts to develop, maintain, or expand livestock sectors within the counties of this state.
2. A county may apply to the commissioner to become designated as a livestock-friendly county. A county is eligible for the designation under this section if the county:
 - a. Through its board of county commissioners, has adopted and enacted a resolution expressing interest in developing, maintaining, or expanding livestock production and processing sectors within the county;
 - b. Intends to collaborate with all appropriate political subdivisions within the county to develop, maintain, or expand livestock production and processing sectors;
 - c. Has submitted a plan detailing the necessary actions to develop, maintain, or expand livestock production and processing sectors;
 - d. Has conducted and completed a study identifying suitable locations for rural economic development, including locations for confined animal feeding operations, agricultural processing facilities, agricultural storage facilities, and other agricultural-related development; and
 - e. Has disclosed other existing or planned activities and initiatives within the county to develop, maintain, or expand livestock production and processing sectors.
3. If the commissioner determines a county has complied with the provisions in subsection 2, the commissioner shall publicly designate the county as a livestock-friendly county.

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4. To retain the designation, a county shall submit an application to the commissioner every four years.
 5. The commissioner may revoke a county's designation as a livestock-friendly county if the commissioner determines the county no longer meets the requirements for the designation under subsection 2.
 6. The commissioner may adopt rules to effectuate the provisions of this section.

Approved March 22, 2023

Filed March 23, 2023

CHAPTER 72

SENATE BILL NO. 2194

(Senators Patten, Bekkedahl, Kannianen)
(Representatives Longmuir, J. Olson, Timmons)

AN ACT to create and enact a new section to chapter 4.1-01 of the North Dakota Century Code, relating to a postproduction royalty oversight program; to amend and reenact subsection 2 of section 38-08-04.5 of the North Dakota Century Code, relating to the abandoned oil and gas well plugging and site reclamation fund; and to provide a report.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 4.1-01 of the North Dakota Century Code is created and enacted as follows:

Postproduction royalty oversight program - Report.

1. The commissioner shall establish a program providing technical assistance and support to mineral owners, lease owners, and mineral companies relating to royalty payment issues.
2. The commissioner may contract for ombudsmen to be a resource for technical assistance and followup on royalty payment issues.
3. The program may provide technical education, support, and outreach on royalty payment- related matters in coordination with other entities.
4. The commissioner may contract with local individuals, deemed trustworthy by the mineral owners, lease owners, and mineral companies, to be ombudsmen. The commissioner is not subject to the provisions of chapter 54-44.4 when contracting for the services of ombudsmen.
5. The names of mineral owners, lease owners, and mineral companies that receive assistance under the program are not subject to section 44-04-18 and section 6 of article XI of the Constitution of North Dakota.
6. The commissioner shall submit expenses related to the implementation of the program to the industrial commission for reimbursement.
7. By June first of each even-numbered year, the commissioner shall provide a report to the energy development and transmission committee.

SECTION 2. AMENDMENT. Subsection 2 of section 38-08-04.5 of the North Dakota Century Code is amended and reenacted as follows:

2. Moneys in the fund may be used for the following purposes:
 - a. Contracting for the plugging of abandoned wells.

- b. Contracting for the reclamation of abandoned drilling and production sites, saltwater disposal pits, drilling fluid pits, and access roads.
- c. To pay mineral owners their royalty share in confiscated oil and to defray the expenses of the postproduction royalty oversight program provided under section 1 of this Act.
- d. Defraying costs incurred under section 38-08-04.4 in reclamation of saltwater handling facilities, treating plants, and oil and gas-related pipelines and associated facilities and to defray the expenses of the pipeline restoration and reclamation oversight program provided under chapter 4.1-01.
- e. Reclamation and restoration of land and water resources impacted by oil and gas development, including related pipelines and facilities that were abandoned or were left in an inadequate reclamation status before August 1, 1983, and for which there is not any continuing reclamation responsibility under state law. Land and water degraded by any willful act of the current or any former surface owner are not eligible for reclamation or restoration. The commission may expend up to five million dollars per biennium from the fund in the following priority:
 - (1) For the restoration of eligible land and water that are degraded by the adverse effects of oil and gas development including related pipelines and facilities.
 - (2) For the development of publicly owned land adversely affected by oil and gas development including related pipelines and facilities.
 - (3) For administrative expenses and cost in developing an abandoned site reclamation plan and the program.
 - (4) Demonstration projects for the development of reclamation and water quality control program methods and techniques for oil and gas development, including related pipelines and facilities.
- f. For transfer by the office of management and budget, upon request of the industrial commission, to the environmental quality restoration fund for use by the department of environmental quality for the purposes provided under chapter 23.1-10, if to address environmental emergencies relating to oil and natural gas development, including the disposal of oilfield waste and oil or natural gas production and transportation by rail, road, or pipeline. If a transfer requested by the industrial commission has been made under this subdivision, the department of environmental quality shall request the office of management and budget to transfer from subsequent deposits in the environmental quality restoration fund an amount sufficient to restore the amount transferred from the abandoned oil and gas well plugging and site reclamation fund.

Approved April 12, 2023

Filed April 13, 2023

CHAPTER 73

HOUSE BILL NO. 1423

(Representatives Thomas, Beltz, Fegley, Grueneich, Kempenich)
(Senators Elkin, Kessel, Luick, Myrdal)

AN ACT to create and enact a new section to chapter 4.1-01 of the North Dakota Century Code, relating to a model zoning review task force; and to amend and reenact sections 11-33-02.1, 23.1-01-04, and 58-03-11.1 of the North Dakota Century Code, relating to a model zoning ordinance for animal feeding operations and the North Dakota insurance reserve fund.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 11-33-02.1 of the North Dakota Century Code is amended and reenacted as follows:

11-33-02.1. Farming and ranching regulations - Requirements - Limitations - Definitions.

1. For purposes of this section:

- a. "Animal feeding operation" means a lot or facility, other than normal wintering operations for cattle and an aquatic animal production facility, where the following conditions are met:
 - (1) Animals, other than aquatic animals, have been, are, or will be stabled or confined and fed or maintained for at least forty-five days in a twelve-month period; and
 - (2) Crops, vegetation, forage growth, or postharvest residues are not sustained in the normal growing season over any portion of the lot or facility.
- b. "Farming or ranching" means cultivating land for the production of agricultural crops or livestock, or raising, feeding, or producing livestock, poultry, milk, or fruit. The term does not include:
 - (1) The production of timber or forest products; or
 - (2) The provision of grain harvesting or other farm services by a processor or distributor of farm products or supplies in accordance with the terms of a contract.
- c. "Livestock" includes beef cattle, dairy cattle, sheep, swine, poultry, horses, bison, elk, fur animals raised for their pelts, and any other animals that are raised, fed, or produced as a part of farming or ranching activities.
- d. "Location" means the setback distance between a structure, fence, or other boundary enclosing an animal feeding operation, including its animal waste collection system, and the nearest occupied residence, the nearest buildings used for nonfarm or nonranch purposes, or the nearest land

- zoned for residential, recreational, or commercial purposes. The term does not include the setback distance for the application of manure or for the application of other recycled agricultural material under a nutrient management plan approved by the department of environmental quality.
2. For purposes of this section, animal units are determined as as provided in subdivision c of subsection 7 of section 23.1-06-15.
 3. A board of county commissioners may not prohibit or prevent the use of land or buildings for farming or ranching and may not prohibit or prevent any of the normal incidents of farming or ranching.
 4. A board of county commissioners may not preclude the development of an animal feeding operation in the county.
 5. A board of county commissioners may not prohibit the reasonable diversification or expansion of a farming or ranching operation.
 6. A board of county commissioners may adopt regulations that establish different standards for the location of animal feeding operations based on the size of the operation and the species and type being fed.
 7. If a regulation would impose a substantial economic burden on an animal feeding operation in existence before the effective date of the regulation, the board of county commissioners shall declare that the regulation is ineffective with respect to any animal feeding operation in existence before the effective date of the regulation.
 8.
 - a. A board of county commissioners may establish high-density agricultural production districts in which setback distances for animal feeding operations and related agricultural operations are less than those in other districts.
 - b. A board of county commissioners may establish, around areas zoned for residential, recreational, or nonagricultural commercial uses, low-density agricultural production districts in which setback distances for animal feeding operations and related agricultural operations are greater than those in other districts; provided, the low-density agricultural production districts may not extend more than one and one-half miles [2.40 kilometers] from the edge of the area zoned for residential, recreational, or nonagricultural commercial uses.
 - c. ~~The setbacks provided for in this subsection may not exceed those established in subdivision a of subsection 7 of section 23.1-06-15 unless the county can demonstrate compelling, objective evidence specific to the county which requires a greater setback within the county, in which case the setbacks may exceed those established in subdivision a of subsection 7 of section 23.1-06-15 by no more than fifty percent. If a setback under this subsection is greater than the corresponding setback established in subdivision a of subsection 7 of section 23.1-06-15, a person whose animal feeding operation will be or has been affected by the applicable county ordinance may request the agriculture commissioner review the ordinance. After the review, the agriculture commissioner shall provide a summary of the review to the attorney general and request an~~

~~opinion from the attorney general regarding whether the ordinance and setback are lawful.~~

- ~~c. A board of county commissioners may not adopt or enforce setbacks applicable to animal feeding operations that exceed the setback distances provided in subsection 7 of section 23.1-06-15.~~
 - d. For purposes of this subsection, a "related agricultural operation" means a facility that produces a product or byproduct used by an animal feeding operation.
9. A person intending to construct an animal feeding operation may petition the board of county commissioners for a determination whether the animal feeding operation would comply with zoning regulations adopted under this section and filed with the department of environmental quality under section 11-33-22 before the date the petition was received by the county. The petition must contain a description of the nature, scope, and location of the proposed animal feeding operation and a site map showing road access, the location of any structure, and the distance from each structure to the nearest section line. If the board of county commissioners does not validly object to the petition within sixty days of receipt, the animal feeding operation is deemed in compliance with the county zoning regulations. If the county allows animal feeding operations as a conditional use, the conditional use regulations must be limited to the board's authority under this section, and the approval process must comply with this section. The county shall make a decision ~~valid~~ determination on the application within sixty days of the receipt of a complete conditional use permit application. If the board of county commissioners determines the animal feeding operation would comply with zoning regulations or fails to object under this section, the county may not impose additional zoning regulations relating to the nature, scope, or location of the animal feeding operation later, provided an application is submitted promptly to the department of environmental equality, the department issues a final permit, and construction of the animal feeding operation commences within three years from the date the department issues its final permit and any permit appeals are exhausted. Any objection or determination that subsequently is reversed, set aside, or invalidated by a court of this state, is not a valid objection or decision for the purpose of calculating a procedural timeline under this section. A procedural timeline imposed by this section continues to be in effect during the pendency of any appeal of a county action or determination. A board of county commissioners may not:
- a. Regulate or impose zoning restrictions or requirements on animal feeding operations or other agricultural operations except as expressly permitted under this section; or
 - b. Impose water quality, closure, site security, lagoon, or nutrient plan regulations or requirements on animal feeding operations;
 - c. Charge fees or expenses of any kind totaling, in the aggregate, more than five hundred dollars in connection with any permit, petition, application, or other request relating to animal feeding operations; or
 - d. Require an existing animal feeding operation to have a permit for improvements or other modifications of an operation that is in current compliance with state and federal regulations or require an existing

operation to have a permit for improvements or other modifications that bring the operation into compliance with state or federal regulations, of the modifications or improvements do not cause the operation to exceed animal numbers of the setback requirement.

10. If a party challenges the validity of a county ordinance, determination, decision, or objection related to animal feeding operations, the court shall award the prevailing party actual attorney's fees, costs, and expenses.

SECTION 2. AMENDMENT. Section 23.1-01-04 of the North Dakota Century Code is amended and reenacted as follows:

23.1-01-04. Rulemaking authority - Limitations.

1. Except as provided in subsection 2, the department of environmental quality may not adopt any rule for the purpose of the state administering a program under the federal Clean Air Act [42 U.S.C. 7401 et seq.]; federal Clean Water Act [33 U.S.C. 1251 et seq.]; federal Safe Drinking Water Act [42 U.S.C. 300 et seq.]; federal Resource Conservation and Recovery Act [42 U.S.C. 6901 et seq.]; federal Comprehensive Environmental Response, Compensation, and Liability Act [42 U.S.C. 9601 et seq.]; federal Emergency Planning and Community Right to Know Act of 1986 [42 U.S.C. 11001 et seq.]; federal Toxic Substances Control Act [42 U.S.C. 2601 et seq.]; or federal Atomic Energy Act of 1954 [42 U.S.C. 2011 et seq.]; which is more stringent than corresponding federal regulations that address the same circumstances. In adopting the rules, the department may incorporate by reference corresponding federal regulations.
2. The department may adopt rules more stringent than corresponding federal regulations or adopt rules where there are no corresponding federal regulations, for the purposes described in subsection 1, only if the department makes a written finding after public comment and hearing and based upon evidence in the record, that corresponding federal regulations are not adequate to protect the public health and the environment of the state. Those findings must be supported by an opinion of the department referring to and evaluating the public health and environmental information and studies contained in the record which form the basis for the department's conclusions.
3. If the department, upon petition by any person affected by a rule of the department, identifies rules more stringent than federal regulations or rules where there are no corresponding federal regulations, the department shall review and revise those rules to comply with this section within nine months of the filing of the petition.
4. Any person issued a notice of violation, or a denial of a permit or other approval, based upon a rule of the department which is more stringent than a corresponding federal regulation or where there is no corresponding federal regulation, may assert a partial defense to that notice, or a partial challenge to that denial, on the basis and to the extent the department's rule violates this section by imposing requirements more stringent than corresponding federal regulations, unless the more stringent rule of the department has been adopted in compliance with this section.

SECTION 3. AMENDMENT. Section 58-03-11.1 of the North Dakota Century Code is amended and reenacted as follows:

58-03-11.1. Farming and ranching regulations - Requirements - Limitations - Definitions.

1. For purposes of this section:
 - a. "Animal feeding operation" means a lot or facility, other than normal wintering operations for cattle and an aquatic animal production facility, where the following conditions are met:
 - (1) Animals, other than aquatic animals, have been, are, or will be stabled or confined and fed or maintained for a total of forty-five days or more in any twelve-month period; and
 - (2) Crops, vegetation, forage growth, or postharvest residues are not sustained in the normal growing season over any portion of the lot or facility.
 - b. "Farming or ranching" means cultivating land for the production of agricultural crops or livestock, or raising, feeding, or producing livestock, poultry, milk, or fruit. The term does not include:
 - (1) The production of timber or forest products; or
 - (2) The provision of grain harvesting or other farm services by a processor or distributor of farm products or supplies in accordance with the terms of a contract.
 - c. "Livestock" includes beef cattle, dairy cattle, sheep, swine, poultry, horses, bison, elk, fur animals raised for their pelts, and any other animals that are raised, fed, or produced as a part of farming or ranching activities.
 - d. "Location" means the setback distance between a structure, fence, or other boundary enclosing an animal feeding operation, including its animal waste collection system, and the nearest occupied residence, the nearest buildings used for nonfarm or nonranch purposes, or the nearest land zoned as a residential, recreational, or commercial zoning district. The term does not include the setback distance for the application of manure or for the application of other recycled agricultural material under a nutrient management plan approved by the department of environmental quality.
2. For purposes of this section, animal units are determined as provided under subdivision c of subsection 7 of section 23.1-06-15.
3. A board of township supervisors may not prohibit or prevent the use of land or buildings for farming or ranching or any of the normal incidents of farming or ranching.
4. A regulation may not preclude the development of an animal feeding operation in the township.
5. A board of township supervisors may not prohibit the reasonable diversification or expansion of a farming or ranching operation.
6. A board of township supervisors may adopt regulations that establish different standards for the location of animal feeding operations based on the size of the operation and the species and type being fed.

7. If a regulation would impose a substantial economic burden on an animal feeding operation in existence before the effective date of the regulation, the board of township supervisors shall declare that the regulation is ineffective with respect to any animal feeding operation in existence before the effective date of the regulation.
8.
 - a. A board of township supervisors may establish high-density agricultural production districts in which setback distances for animal feeding operations and related agricultural operations are less than those in other districts.
 - b. A board of township supervisors may establish, around areas zoned for residential, recreational, or nonagricultural commercial uses, low-density agricultural production districts in which setback distances for animal feeding operations and related agricultural operations are greater than those in other districts; provided, the low-density agricultural production districts may not extend more than one-half mile [0.80 kilometer] from the edge of the area zoned for residential, recreational, or nonagricultural commercial uses.
 - c. ~~The setbacks provided for in this subsection may not exceed those established in subdivision a of subsection 7 of section 23.1-06-15 unless the township can demonstrate compelling, objective evidence specific to the township which requires a greater setback within the township, in which case the setbacks may exceed those established in subdivision a of subsection 7 of section 23.1-06-15 by no more than fifty percent. If a setback under this subsection is greater than the corresponding setback established in subdivision a of subsection 7 of section 23.1-06-15, a person whose animal feeding operation will be or has been affected by the applicable township ordinance may request the agriculture commissioner review the ordinance. After the review, the agriculture commissioner shall provide a summary of the review to the attorney general and request an opinion from the attorney general regarding whether the ordinance and setback are lawful.~~
 - c. A board of township supervisors may not adopt or enforce setbacks applicable to animal feeding operations that exceed the setback distances provided in subsection 7 of section 23.1-06-15.
 - d. For purposes of this subsection, a "related agricultural operation" means a facility that produces a product or byproduct used by an animal feeding operation.
9. A person intending to construct an animal feeding operation may petition the board of township supervisors for a determination whether the animal feeding operation would comply with zoning regulations adopted under this section and filed with the department of environmental quality under section 58-03-17 before the date the petition was received by the township. The petition must contain a description of the nature, scope, and location of the proposed animal feeding operation and a site map showing road access, the location of any structure, and the distance from each structure to the nearest section line. If the board of township supervisors does not validly object to the petition within sixty days of receipt, the animal feeding operation is deemed in compliance with the township zoning regulations. If the township allows animal feeding operations as a conditional use, the conditional use regulations must be

limited to the board's authority under this section, and the approval process must comply with this section. The township shall make a decision valid determination on the application within sixty days of the receipt of a complete conditional use permit application. If the board of township supervisors determines the animal feeding operation would comply with zoning regulations or fails to object under this section, the township may not impose additional zoning regulations relating to the nature, scope, or location of the animal feeding operation later, provided an application is submitted promptly to the department of environmental quality, the department issues a final permit, and construction of the animal feeding operation commences within three years from the date the department issues its final permit and any permit appeals are exhausted. Any objection or determination that subsequently is reversed, set aside, or invalidated by a court of this state, is not a valid objection or decision for the purpose of calculating a procedural timeline under this section. A procedural timeline imposed by this section continues to be in effect during the pendency of any appeal of a township action or determination. A board of township supervisors may not:

- a. Regulate or impose zoning restrictions or requirements on animal feeding operations or other agricultural operations except as expressly permitted under this section; or
 - b. Impose water quality, closure, site security, lagoon, or nutrient plan regulations or requirements on animal feeding operations;
 - c. Charge fees or expenses of any kind totaling, in the aggregate, more than five hundred dollars in connection with any permit, petition, application, or other request relating to animal feeding operations; or
 - d. Require an existing animal feeding operation to have a permit for improvements or other modifications of an operation that is in current compliance with state and federal regulations or require an existing operation to have a permit for improvements or other modifications that bring the operation into compliance with state or federal regulations, if the modifications or improvements do not cause the operation to exceed animal numbers of the setback requirement.
10. If a party challenges the validity of a township ordinance, determination, decision, or objection related to animal feeding operations, the court shall award the prevailing party actual attorney's fees, costs, and expenses.

SECTION 4. A new section to chapter 4.1-01 of the North Dakota Century Code is created and enacted as follows:

Model zoning review task force - Report to the legislative management.

1. Model zoning review task force consists of:
 - a. The agriculture commissioner or the commissioner's designee, as chair.
 - b. The director of the department of environmental quality or the director's designee.
 - c. The executive director of the North Dakota Indian affairs commission or the director's designee.

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- d. Two members from the North Dakota township association. One member must be an agriculture producer.
 - e. Two members from the North Dakota association of counties. One member must be an agriculture producer.
 - f. One member of the milk producers association of North Dakota.
 - g. One member of the North Dakota stockmen's association.
 - h. One member of the North Dakota pork council.
 - i. One member of the North Dakota corn growers association.
 - j. One member of the North Dakota soybean growers association.
 - k. One member of the North Dakota farmers union.
 - l. One member of the North Dakota farm bureau.
 - m. One member of the North Dakota planning association.
2. The task force shall:
 - a. Develop a new, or update a previously created model zoning ordinance during the 2023-24 biennium.
 - b. Review low-density agriculture districts and applicable setbacks and uses.
 - c. Review current zoning districts for the purpose of considering the impact of overlay districts.
 - d. Provide a report to the legislative management on changes to the model zoning ordinance.
 - e. Meet every five years to review and update the model zoning ordinance, if necessary.
 3. The agriculture commissioner shall provide the task force with administrative services.
 4. For purposes of this section "model zoning ordinance" means the most current model zoning ordinance related to animal feeding operations in this state.

Approved April 6, 2023

Filed April 10, 2023

CHAPTER 74

SENATE BILL NO. 2027

(Legislative Management)
(Agriculture and Natural Resources Committee)

AN ACT to repeal section 4.1-01-11 of the North Dakota Century Code, relating to the advisory committee on sustainable agriculture.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. REPEAL. Section 4.1-01-11 of the North Dakota Century Code is repealed.

Approved March 27, 2023

Filed March 28, 2023

CHAPTER 75

HOUSE BILL NO. 1276

(Representatives Satrom, Brandenburg, Grueneich, Hagert, Headland, Kempenich,
Kiefert, Ostlie, Thomas)
(Senators Conley, Luick, Wanzek)

AN ACT to create and enact a new section to chapter 4.1-01 of the North Dakota Century Code, relating to the agriculture infrastructure grant program; to amend and reenact section 4.1-01.1-07 of the North Dakota Century Code, relating to the agriculture diversification and development fund; to provide an appropriation for the agriculture diversification and development fund; and to provide for a transfer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 4.1-01 of the North Dakota Century Code is created and enacted as follows:

Agriculture infrastructure grant program.

1. The agriculture commission, in consultation with the director of the department of transportation, shall develop policies to administer the agriculture infrastructure grant program to include a grant application process and eligibility criteria.
2. The agriculture commissioner, in consultation with the director of the department of transportation, shall award grants to political subdivisions for road and bridge improvements necessary to accommodate value-added agriculture businesses. Grant funding under this subsection may be used for:
 - a. Corridor improvements on county and township roadways; and
 - b. Improvements to roads or bridges that provide access to value-added agriculture businesses.
3. The agriculture commissioner shall award grants to entities for water and sewer line improvements and electrical and gas supply improvements necessary to accommodate value-added agriculture businesses.
4. Grants awarded under this section may not exceed:
 - a. The lesser of one million two hundred fifty thousand dollars per project or eighty percent of the infrastructure project cost for grants awarded under subsection 2.
 - b. The lesser of three hundred fifty thousand dollars per project or eighty percent of the capital improvement project costs for grants awarded under subsection 3.
5. For purposes of grant eligibility under this section, value-added agriculture businesses include the same businesses as provided under section 4.1-01.1-07.

6. Grant funding under this section may not be used for routine maintenance or operating costs.

⁵⁷ **SECTION 2. AMENDMENT.** Section 4.1-01.1-07 of the North Dakota Century Code is amended and reenacted as follows:

4.1-01.1-07. Agriculture diversification and development fund - Continuing appropriation.

1. There is created in the state treasury the agriculture diversification and development fund. The fund consists of all moneys transferred to the fund by the legislative assembly, interest upon moneys in the fund, and payments of interest and principal on loans made from the fund. Moneys in the fund are appropriated to the Bank of North Dakota on a continuing basis for loan disbursements, grants, and administrative costs pursuant to this section. ~~No more than twenty-five percent of the fund may be utilized for grants in a biennium, and moneys in the fund are appropriated to the agriculture commissioner on a continuing basis for grants pursuant to this section and section 1 of this Act. The agriculture diversification and development committee shall designate the amount available from the fund for loans, interest rate buydowns, and grants.~~
2. Loans, interest rate buydowns, or grants under subsections 3 and 4 may be issued from the fund to support new or expanding value-added agriculture businesses that demonstrate financial feasibility, enhance profitability for farmers and ranchers, create jobs, and grow the state's economy. Grants under section 1 of this Act may be issued from the fund for infrastructure improvements necessary for the development or expansion of new or existing value-added agriculture businesses. Value-added agriculture businesses include food production or processing facilities; feed or pet food processing facilities; commodity processing facilities; agriculture product manufacturers; and animal agriculture production facilities, including swine, poultry, dairy, and feed lot production facilities.
3. The Bank of North Dakota shall develop policies for loans and interest rate buydowns from the fund in consultation with the agriculture diversification and development committee. The Bank shall review loan applications. To be eligible for a loan under this section, an entity shall agree to provide the Bank with information as requested. The Bank may develop policies for loan participation with local financial institutions. The Bank shall deposit in the fund all principal and interest paid on the outstanding loans. The Bank may use a portion of the interest paid as a servicing fee to pay for administrative costs, which may not exceed one-half of one percent of the amount of the outstanding loans. ~~The Bank shall contract with a certified public accounting firm to audit the fund if the fund has any loans. The fund must be audited annually pursuant to section 6-09-29, and the cost of the audit must be paid from the fund.~~
4. The agricultural diversification and development committee shall develop policies for grants from the fund to support new or expanding value-added agriculture businesses, including eligibility criteria, maximum grant amounts, and reporting requirements. Based on recommendations from the agricultural

⁵⁷ Section 4.1-01.1-07 was also amended by section 1 of Senate Bill No. 2233, chapter 95.

diversification and development committee, the agriculture commissioner shall distribute the grant funding.

SECTION 3. APPROPRIATION - TRANSFER TO AGRICULTURE DIVERSIFICATION AND DEVELOPMENT FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$25,000,000, which the office of management and budget shall transfer to the agriculture diversification and development fund, during the biennium beginning July 1, 2023, and ending June 30, 2025. Of the \$25,000,000, up to \$10,000,000 is available for agriculture infrastructure grants to political subdivisions.

Approved April 20, 2023

Filed April 21, 2023

CHAPTER 76

HOUSE BILL NO. 1437

(Representatives Beltz, Brandenburg, Hagert, Kempenich, Mitskog, Satrom, Thomas)
(Senators Klein, Luick, Wanzek)

AN ACT to create and enact a new section to chapter 4.1-01 of the North Dakota Century Code, relating to the creation of regional livestock planning grants; and to provide for an appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 4.1-01 of the North Dakota Century Code is created and enacted as follows:

Regional livestock development and planning program - Grants.

1. The commissioner shall administer a grant program to assist counties and regional planning councils, as defined in chapter 54-40.1, for livestock development planning. A county or a regional planning council may submit an application for assistance under this section to the commissioner.
2. The commissioner shall award grants to counties and regional planning councils for purposes of coordinating strategic planning and accommodating and encouraging investment in livestock production. Grants shall be awarded for the following activities:
 - a. Identification of suitable locations for rural economic development, including animal feeding operations, agricultural processing and storage facilities, and other agricultural-related development. The following factors must be considered when identifying suitable locations for rural economic development:
 - (1) Local zoning and land use regulations;
 - (2) State permitting requirements; and
 - (3) Availability of infrastructure and natural resources necessary to accommodate rural economic development projects.
 - b. Review and updating of township zoning and land use regulations.
3. Grants awarded under this section may not exceed:
 - a. Up to twelve thousand dollars for every county included in an application for activities described in subdivision a of subsection 2.
 - b. Up to five hundred dollars for every township included in an application for activities described in subdivision b of subsection 2.
4. Any information created, collected, or maintained by the commissioner which identifies individual parcels of land for rural economic development is

confidential and not subject to the open records requirements of section 44-04-18.

SECTION 2. APPROPRIATION - ENVIRONMENT AND RANGELAND PROTECTION FUND - AGRICULTURE COMMISSIONER - REGIONAL LIVESTOCK DEVELOPMENT AND PLANNING GRANT PROGRAM. There is appropriated out of any moneys in the environment and rangeland protection fund in the state treasury, not otherwise appropriated, the sum of \$1,200,000, or so much of the sum as may be necessary, to the agriculture commissioner for the purpose of identifying locations for rural economic development, including animal feeding operations, agricultural processing and storage facilities, and other agricultural-related development, and assisting the review and updating of township zoning and land use regulations, for the biennium beginning July 1, 2023, and ending June 30, 2025.

Approved April 18, 2023

Filed April 19, 2023

CHAPTER 77

HOUSE BILL NO. 1153

(Representatives Brandenburg, Grueneich, Headland, D. Johnson, Kempenich,
Mitskog, Nelson, Weisz)
(Senators Erbele, Klein, Wanzek, Weber)

AN ACT to amend and reenact sections 4.1-04-08 and 4.1-04-09 of the North Dakota Century Code, relating to the duties and powers of the corn council; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 4.1-04-08 of the North Dakota Century Code is amended and reenacted as follows:

4.1-04-08. Council - Powers.

The council may:

1. Expend moneys collected pursuant to this chapter for its administration;
2. Employ, bond, and compensate necessary personnel;
3. Accept gifts, grants, and donations of money, property, and services to carry out this chapter;
4. Contract with any person for any purpose related to this chapter, including research, education, publicity, promotion, and transportation;
5. Establish a grant program and guidelines to provide funding to corn-related programs and organizations that benefit North Dakota corn producers, consistent with this chapter;
6. Sue and be sued; and
- ~~6-7.~~ Do all things necessary and proper to enforce and administer this chapter.

SECTION 2. AMENDMENT. Section 4.1-04-09 of the North Dakota Century Code is amended and reenacted as follows:

4.1-04-09. Council - Duties.

1. The council shall determine the uses for which any moneys raised under this chapter may be expended. The uses may include the funding of research, education programs, corn policy development, promotion, and market development efforts, as well as participation in programs under the auspices of other state, regional, national, and international promotion groups.
2. The council shall develop and disseminate information regarding the purpose of the corn assessment and ways in which the assessment benefits corn producers.

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3. The council shall hold two public input meetings per year with organizations dedicated to serving North Dakota corn producers to discuss recommendations for the use of moneys received under this chapter.

SECTION 3. EMERGENCY. This Act is declared to be an emergency measure.

Approved April 20, 2023

Filed April 21, 2023

CHAPTER 78

HOUSE BILL NO. 1255

(Representatives Holle, K. Anderson, Christensen, Dyk, Fisher, Hauck, Murphy, S. Olson, Rohr, VanWinkle)
(Senators Boehm, Schaible)

AN ACT to amend and reenact sections 4.1-05-01 and 4.1-25-01, and subsection 9 of section 4.1-26-01 of the North Dakota Century Code, relating to the definition of milk.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 4.1-05-01 of the North Dakota Century Code is amended and reenacted as follows:

4.1-05-01. Definitions.

As used in this chapter:

1. "Commission" means the North Dakota dairy promotion commission.
2. "Dairy product" means a product for human consumption which is derived from the processing of milk from ~~ewes~~ a healthy four-legged hooved mammal. The term includes a milk product normally consumed in liquid form as a beverage.
3. "Dealer" means any person that handles, ships, buys, or sells dairy products, or who acts as a sales or purchasing agent, broker, or factor of dairy products.
4. "Gross receipts" means the amount paid to a producer for milk or for a product derived from milk and sold by such producer.
5. "Milk" means the lacteal secretion, practically free of colostrum, obtained by the complete milking of a healthy hooved mammal, including any member of the order Cetartiodactyla and including a member of the family:
 - a. Bovidae, including cattle, water buffalo, sheep, goats, and yaks;
 - b. Cervidae, including deer, reindeer, and moose;
 - c. Equidae, including horses and donkeys; and
 - d. Camelidae, including llamas, alpacas, and camels.
6. "Processor" means a person that takes delivery of milk or cream and then:
 - a. Cans, dries, prepares, or packages the milk or cream; or
 - b. Produces another product from the milk or cream.

~~6-7.~~ "Producer" means a person engaged in the production of milk from ewes four-legged mammal for commercial use.

SECTION 2. AMENDMENT. Section 4.1-25-01 of the North Dakota Century Code is amended and reenacted as follows:

4.1-25-01. Definitions.

1. "Cheese factory" means a facility that makes cheese for commercial purposes.
2. "Commissioner" means the agriculture commissioner or the commissioner's designee.
3. "Condensery" means a facility where condensed or evaporated milk is produced.
4. "Dairy animal" means any healthy four-legged hooved mammal maintained for the commercial production of milk to be offered for sale for use in the processing or manufacturing of milk or dairy products.
5. "Dairy farm" means a place where one or more dairy animals are kept.
6. "Dairy product" includes milk, cream, sour cream, butter cream, butter, skimmed milk, ice cream, whipped cream, flavored milk or skim milk drink, dried or powdered milk, cheese, cream cheese, cottage cheese, creamed cottage cheese, ice cream mix, sherbet, condensed milk, evaporated milk, or concentrated milk.
7. "Department" means the department of agriculture.
8. "Distributor" means a person that provides storage, transportation, delivery, or distribution of dairy products to any person who sells dairy products.
9. "Drying plant" means a facility that manufactures dry milk products by removing water from milk or milk products.
10. "Filled dairy products" means any milk, cream, or skimmed milk, or any combination of them, whether or not condensed, evaporated, concentrated, frozen, powdered, dried, or desiccated, or any food product made or manufactured from those products, to which has been added, blended, or compounded with, any fat or oil, other than milk fat, to imitate a dairy product. "Filled dairy products" may not be construed to mean or include:
 - a. Any distinctive proprietary food compound not readily mistaken for a dairy product, if the compound is customarily used on the order of a physician and is prepared and designed for medicinal or special dietary use and prominently so labeled;
 - b. Any dairy product flavored with chocolate or cocoa or the vitamin content of which has been increased, or both, if the fats or oils other than milk fat contained in the product do not exceed the amount of cacao fat naturally present in the chocolate or cocoa used and the food oil, not in excess of one-hundredth per centum of the weight of the finished product, used as a carrier of such vitamins; or

- c. Margarine.
11. "Grading" means the examination of milk or milk products by sight, odor, taste, or laboratory analysis, the results of which determine a rating of the quality of the product.
 12. "Ice cream plant" means a facility that makes ice cream for commercial purposes.
 13. "Ice milk plant" means a facility that makes ice milk for commercial purposes.
 14. "Imitation milk" or "imitation milk product" means a food product or food compound made to resemble milk or a milk product when any of the following occurs:
 - a. The food physically resembles milk or a milk product. "Physical resemblance" means those characteristics relating to the composition of food, including fat and moisture content, nonfat solids content, and functional ingredient or food additive content such as emulsifiers, stabilizers, flavor, or color additives.
 - b. The packaging used resembles the packaging used for milk or for a milk product.
 - c. The food product or food compound is displayed in a retail establishment in the same manner as milk or a milk product.
 - d. Verbal or pictorial expressions are used on the food products or food compounds, labeling, or in advertisements or other similar devices used to promote the food products or food compounds that state or imply that the food is milk or a milk product.
 - e. The food product or food compound in any other way is manufactured, packaged, or labeled so as to resemble the identity, intended use, or physical and sensory properties of milk or a milk product. "Physical and sensory properties" means those characteristics relating to flavor, texture, smell, and appearance of a food product or food compound.
 15. "Milk" means the lacteal secretion, practically free of colostrum, obtained by the complete milking of a healthy hooved mammal, including any member of the order Cetartiodactyla and including a member of the family:
 - a. Bovidae, including cattle, water buffalo, sheep, goats, and yaks;
 - b. Cervidae, including deer, reindeer, and moose;
 - c. Equidae, including horses and donkeys; and
 - d. Camelidae, including llamas, alpacas, and camels.
 16. "Milk hauler" means a person that owns vehicles used to transport raw milk from a dairy farm to a dairy facility.
 - 46-17. "Milk plant or bottling plant" means a facility where milk or milk products are collected, handled, processed, stored, and prepared for distribution.

- 17-18. "Milk solids or total solids" means the total amount of solids in milk.
- 18-19. a. "Pasteurization" as applied to milk or skim milk means either:
- (1) The process of heating every particle of milk to at least one hundred forty-five degrees Fahrenheit [62.78 degrees Celsius] and cream and other milk products to at least one hundred fifty degrees Fahrenheit [65.55 degrees Celsius], and holding it at that temperature continuously for at least thirty minutes; or
 - (2) Heating every particle of milk to at least one hundred sixty-one degrees Fahrenheit [71.67 degrees Celsius] and cream and other milk products to at least one hundred sixty-six degrees Fahrenheit [74.44 degrees Celsius], and holding it at that temperature continuously for at least fifteen seconds in approved and properly operated equipment.
- b. When applied to cream for butter making, "pasteurization" means the cream must be held at a temperature of not less than one hundred sixty-five degrees Fahrenheit [73.89 degrees Celsius] for at least thirty minutes or not less than one hundred eighty-five degrees Fahrenheit [85.00 degrees Celsius] for at least fifteen seconds.
- c. This subsection may not be construed as barring any other process that has been demonstrated to be equally efficient which assures proper pasteurization and keeping quality, which is consistent with the most desirable quality, and which is approved by the commissioner.
- 19-20. "Pasteurized milk ordinance" means the 2019 revision of the Grade "A" Pasteurized Ordinance issued by the United States food and drug administration and by the United States department of agriculture's public health service.
- 20-21. "Peddler" means a person that purchases milk or milk products and sells the milk or milk products directly to consumers at any place other than from a store, stand, or other fixed place of business.
- 21-22. "Person" means individuals, firms, partnerships, associations, trusts, estates, corporations, and limited liability companies, and any and all other business units, devices, or arrangements.
- 22-23. "Processing or manufacturing" means the treatment of milk or milk products by pasteurizing, bottling, churning, adding flavors to, freezing, dehydrating, packaging, coagulating, or treating in any manner that changes the natural, physical, or chemical properties of the original product.
- 23-24. "Producer dairy" means a dairy farm that sells milk or cream to a dairy plant for processing or manufacturing.
- 24-25. "Producer-processor" or "producer-distributor" means a producer that is also a processor or distributor.
- 25-26. "Raw milk or raw milk products" means products that have not been treated by the process of pasteurization.
- 26-27. "Retail" means the sale of milk or milk products directly to the consumer.

- 27-28. "Sampler" means a person, other than a milk producer or dairy plant employee, who transports samples for official use of raw milk or milk products from a dairy farm to a dairy facility.
- 28-29. "Sampling" means a procedure taking a portion of milk or milk products for grading or testing.
- 29-30. "Shared animal ownership agreement" means any contractual arrangement under which an individual:
- a. Acquires an ownership interest in a milk-producing animal;
 - b. Agrees to pay another for, reimburse another for, or otherwise accept financial responsibility for the care and boarding of the milk-producing animal at the dairy farm; and
 - c. Is entitled to receive a proportionate share of the animal's raw milk production as a condition of the contractual arrangement.
- 30-31. "Skim milk solids or solids-not-fat" means the total solids in milk after all fat has been removed.
- 31-32. "Standard Methods" means the seventeenth edition of the Standard Methods for the Examination of Dairy Products published by the American public health association.
- 32-33. "Testing" means an examination of milk or milk products by sight, odor, taste, or laboratory analysis to determine the quality, wholesomeness, or composition of the product.
- 33-34. "Wholesale" means the sale of milk or milk products to a retail dealer for resale.

SECTION 3. AMENDMENT. Subsection 9 of section 4.1-26-01 of the North Dakota Century Code is amended and reenacted as follows:

9. "Milk" means the lacteal secretion of a cow, including when the secretion is raw, cooled, pasteurized, standardized, homogenized, recombined, or concentrated, provided the secretion meets applicable grade A requirements, practically free of colostrum, obtained by the complete milking of a healthy hooved mammal, including any member of the order Cetartiodactyla and including a member of the family:
- a. Bovidae, including cattle, water buffalo, sheep, goats, and yaks;
 - b. Cervidae, including deer, reindeer, and moose;
 - c. Equidae, including horses and donkeys; and
 - d. Camelidae, including llamas, alpacas, and camels.

Approved April 11, 2023

Filed April 12, 2023

CHAPTER 79

HOUSE BILL NO. 1501

(Representative Beltz)

AN ACT to amend and reenact subsection 1 of section 4.1-11-01, sections 4.1-11-08, 4.1-11-10, 4.1-11-11, 4.1-11-12, 4.1-11-13, 4.1-11-14, and 4.1-11-15, and subsection 1 of section 4.1-44-03 of the North Dakota Century Code, relating to the North Dakota soybean council and the North Dakota soybean fund; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 1 of section 4.1-11-01 of the North Dakota Century Code is amended and reenacted as follows:

1. "Council" means the nongovernmental entity, known as the North Dakota soybean council.

SECTION 2. AMENDMENT. Section 4.1-11-08 of the North Dakota Century Code is amended and reenacted as follows:

4.1-11-08. Council members - Compensation.

Each member of the council is entitled to receive compensation in the amount established by the council ~~but not exceeding one hundred thirty-five dollars per day plus reimbursement for expenses as provided by law for state officers~~ if the member is attending meetings or performing duties directed by the council.

SECTION 3. AMENDMENT. Section 4.1-11-10 of the North Dakota Century Code is amended and reenacted as follows:

4.1-11-10. Council duties and reports.

1. The council shall develop policies and initiate programs to promote the development of markets for and increase the utilization of soybeans grown in this state.
2. The council shall develop and disseminate information regarding the purpose of the soybean assessment and ways in which the assessment benefits soybean producers.
3. The council shall determine the uses for which any moneys raised under this chapter may be expended. The uses may include the funding of research, education programs, and market development efforts, as well as participation in programs under the auspices of national soybean promotion organizations.
4. Annually, the council shall prepare and submit a report summarizing the activities of the council to the state auditor and commissioner. The report must show all income, expenses, and other relevant information concerning fees collected and expended.

5. The council shall request and submit a certificate of good standing, issued by the secretary of state, as part of the report described in subsection 4.

SECTION 4. AMENDMENT. Section 4.1-11-11 of the North Dakota Century Code is amended and reenacted as follows:

4.1-11-11. Assessment.

Any federal assessment under the Soybean Promotion, Research, and Consumer Information Act [Pub. L. 101-624; 104 Stat. 3881; 7 U.S.C. 92 et seq.] or a similar act remains in place, a state assessment under this section is prohibited. If the Soybean Promotion, Research, and Consumer Information Act [Pub. L. 101-624; 104 Stat. 3881; 7 U.S.C. 92 et seq.] or similar act eliminates a federal assessment, the council shall implement a state assessment equaling one-half of one percent of the value of the sale must be imposed upon all soybeans sold to a designated handler.

SECTION 5. AMENDMENT. Section 4.1-11-12 of the North Dakota Century Code is amended and reenacted as follows:

4.1-11-12. Collection of assessment by designated handler - Records.

4. If an assessment is in place under section 4.1-11-11:
 1. Each designated handler shall collect the assessment from the seller by deducting the assessment from the purchase price of all soybeans subject to the assessment-;
 2. Each designated handler shall keep all records regarding the quantity of soybeans received and assessed for a period of three years-; and
 3. All records required by this section may be examined by the council upon request.

SECTION 6. AMENDMENT. Section 4.1-11-13 of the North Dakota Century Code is amended and reenacted as follows:

4.1-11-13. Quarterly report - Submission to council.

At the time and in the manner prescribed by the council, each designated handler shall file with the council a quarterly report stating the quantity of all soybeans that the handler purchased and assessed under section 4.1-11-11.

SECTION 7. AMENDMENT. Section 4.1-11-14 of the North Dakota Century Code is amended and reenacted as follows:

4.1-11-14. Submission of assessments - ~~Civil~~ penalty Delinquent assessment.

Each designated handler shall forward to the council all assessments collected by the handler under section 4.1-11-11 within thirty days after the end of each calendar quarter. If a designated handler fails to submit the assessments as required by this section, the council shall increase the amount owed by two percent each month, beginning with the day following that on which the assessments came due.

SECTION 8. AMENDMENT. Section 4.1-11-15 of the North Dakota Century Code is amended and reenacted as follows:

4.1-11-15. Continuing appropriation - Use of council funds.

~~The council shall forward all~~All moneys received under this chapter to the state treasurer for deposit~~must be deposited~~ in the soybean fund~~checkoff account~~ at the Bank of North Dakota. All moneys in the soybean fund~~checkoff account~~ are appropriated on a continuing basis to the council ~~and may~~ be used exclusively to carry out~~by the council for the payment of claims by the council based on the obligations incurred in the performance of council activities, functions, and purposes as provided in this chapter. The board shall segregate moneys in the soybean checkoff account from all other moneys of the council.~~

SECTION 9. AMENDMENT. Subsection 1 of section 4.1-44-03 of the North Dakota Century Code is amended and reenacted as follows:

1. Notwithstanding any other provision of law, the state treasurer shall invest in accordance with section 21-10-07 all available moneys in:
 - a. The potato fund;
 - b. The oilseed fund;
 - c. The dry bean fund;
 - d. The dry pea and lentil fund;
 - e. The barley fund;
 - f. ~~The soybean fund;~~
 - g. The corn fund;
 - h-g. The honey fund;
 - i-h. The turkey fund;
 - j-i. The milk marketing fund;
 - k-j. The dairy promotion commission fund;
 - l-k. The state wheat commission fund;
 - m-l. The ethanol fund; and
 - n-m. The North Dakota beef commission fund.

SECTION 10. EFFECTIVE DATE. This Act becomes effective on July 1, 2024.

Approved April 29, 2023

Filed May 1, 2023

CHAPTER 80

SENATE BILL NO. 2096

(Agriculture and Veterans Affairs Committee)
(At the request of the Agriculture Commissioner)

AN ACT to create and enact section 4.1-18.1-01.1 and nine new sections to chapter 4.1-18.1 of the North Dakota Century Code, relating to administrative rules, hemp commodities or products, powers of the commissioner, and civil enforcement remedies; to amend and reenact sections 4.1-18.1-01 and 4.1-18.1-04.3, section 4.1-59-09 of the North Dakota Century Code, as created by section 2 of House Bill No. 1393, as approved by the sixty-eighth legislative assembly, and subparagraph a of paragraph 2 of subdivision m of subsection 5 of section 19-03.1-05 of the North Dakota Century Code, relating to definitions, prohibited acts by licensees, schedule I controlled substances tetrahydrocannabinols, and bonding requirements for grain buyers; and to provide a penalty.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 4.1-18.1-01 of the North Dakota Century Code is amended and reenacted as follows:

4.1-18.1-01. Definitions.

1. "Broad spectrum" means hemp extract or hemp commodity or product containing naturally occurring hemp-derived cannabinoids, terpenes, and other naturally occurring compounds, but where tetrahydrocannabinol has been removed to nondetectable levels using a fit-for-purpose method, with a total tetrahydrocannabinol level not to exceed an amount determined by the commissioner.
2. "Chemically derived cannabinoid" means a chemical substance created by a chemical reaction that changes the molecular structure of any chemical substance derived from the plant cannabis. The term does not include cannabinoids produced by decarboxylation from a naturally occurring cannabinoid acid without the use of a chemical catalyst.
3. "Full spectrum" means hemp extract or hemp commodity or product containing naturally occurring hemp-derived cannabinoids, terpenes, and other naturally occurring compounds, processed without intentional complete removal of any compound and without the addition of isolated cannabinoids, with a total tetrahydrocannabinol level not to exceed an amount determined by the commissioner.
4. "Hemp" means the plant cannabis sativa L. and any part of the plant, including the seeds and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, flowers, whether growing or not, with a total tetrahydrocannabinol concentration in an amount determined by the commissioner. The term does not include any hemp extract, commodity or product using hemp which exceeds the allowable amount of total tetrahydrocannabinol determined by the commissioner, or a hemp substance or product prohibited by this chapter.

2-5. "Hemp commodity or product" means a product made from hemp or hemp extract, including cloth, cordage, fiber, food, fuel, paint, paper, particleboard, plastics, seeds, seed meal, and seed oil for consumption, a hemp tincture, and a hemp topical.

a. The term includes:

- (1) Hemp processed through retting or other processing such that it is a suitable fiber for textiles, rope, paper, hempcrete, or other building or fiber materials;
- (2) Hemp seed processed such that it is incapable of germination and processed such that is suitable for human consumption;
- (3) Hemp seed pressed or otherwise processed into oil;
- (4) Cannabidiol, also known as CBD, products and cannabigerol, also known as CBG, including broad spectrum, full spectrum, and isolate products, with a total tetrahydrocannabinol level not to exceed an amount determined by the commissioner; and
- (5) A hemp commodity or product approved in writing by the agriculture commissioner.

b. The term does not include:

- (1) Hemp that has been chopped, separated, or dried for purposes of transfer or storage;
- (2) A chemical compound extracted from hemp used to formulate, process, or otherwise make an inhalant;
- (3) A product containing delta-8 tetrahydrocannabinol, also known as delta-8 THC;
- (4) A product containing chemically derived cannabinoids. Including:
 - (a) Tetrahydrocannabinol acetate, also known as THC-O-Acetate and THC-O;
 - (b) Hexahydrocannabinol, also known as HHC; and
 - (c) Tetrahydrocannabiphorol, also known as THCP; or
- (5) A psychotropic hemp commodity or product disapproved in writing by the commissioner.

4. "Hemp extract" means a concentrate or extract obtained by separating cannabinoids from hemp by a mechanical, chemical, or other process. The term does not include hemp seed pressed or otherwise processed into oil.

5. "Hemp tincture" means a solution that may not exceed thirty milliliters consisting of:

- a. At least twenty-five percent of non-denatured alcohol, in addition to a hemp extract, and other ingredients intended for human consumption or ingestion; or
 - b. Glycerin or plant-based oil and hemp extract, and is intended for human consumption or ingestion.
6. "Hemp topical" means a hemp commodity or product intended to be applied to the skin or hair. The maximum concentration or amount of total tetrahydrocannabinol permitted in a hemp topical is fifty milligrams per container.
7. "Isolate" means hemp extract or hemp commodity or product comprised of a single cannabinoid compound.
8. "Tetrahydrocannabinol" means delta-9 tetrahydrocannabinol and any structural, optical, or geometric isomers of tetrahydrocannabinol, including:
- a. Delta-7 tetrahydrocannabinol;
 - b. Delta-8 tetrahydrocannabinol; ~~and~~
 - c. Delta-10 tetrahydrocannabinol.
- 3-9. "Total tetrahydrocannabinol" means the sum of the percentage, by weight, of tetrahydrocannabinolic acid multiplied by eight hundred seventy-seven thousandths plus the percentage of weight of tetrahydrocannabinol.

SECTION 2. Section 4.1-18.1-01.1 of the North Dakota Century Code is created and enacted as follows:

4.1-18.1-01.1. Administrative rules.

The commissioner may adopt and amend rules consistent with this chapter governing the sale, distribution, testing, labeling, and regulation of hemp and hemp commodities or products, and substances and products prohibited by this chapter.

SECTION 3. AMENDMENT. Section 4.1-18.1-04.3 of the North Dakota Century Code is amended and reenacted as follows:

4.1-18.1-04.3. Prohibited acts - Licensee.

A licensee may not:

- 1. ~~Engage in the isomerization of cannabinoids to create isomers of tetrahydrocannabinol, including delta-8, delta-9, and delta-10 tetrahydrocannabinol.~~Chemically modify or convert a hemp extract, or engage in any process that converts cannabidiol into delta-9, delta-8, delta-10-tetrahydrocannabinol, or other tetrahydrocannabinol isomers, analogs, or derivatives; and
- 2. ~~Sell or distribute hemp or hemp commodities or products that contain chemically derived cannabinoids or were created using the isomerization of cannabinoids to create isomers of tetrahydrocannabinol, including delta-8, delta-9, and delta-10 tetrahydrocannabinol.~~by chemically modifying or converting a hemp extract.

SECTION 4. A new section to chapter 4.1-18.1 of the North Dakota Century Code is created and enacted as follows:

Hemp commodities or products - Allowable products - Retailers.

1. A person may only sell hemp and hemp commodities or products allowed under this chapter. All hemp and hemp commodities or products must undergo testing and report in a certificate of analysis and in the product label the testing results of the total tetrahydrocannabinol concentration amount. The certificate of analysis must be made available to the commissioner upon request.
2. A person may not sell hemp, or hemp commodities or products that contain chemically derived cannabinoids or delta-8 tetrahydrocannabinol.
3. All other cannabis- or hemp-derived products that are not allowable hemp commodities or products under this chapter must be regulated in accordance with chapter 19-24.1.
4. All hemp commodities or products sold pursuant to this section must comply with all product labeling rules as mandated by the Food, Drug, and Cosmetic Act [21 U.S.C. 9 et seq.] and related administrative rules, both the Act and rules incorporated by reference.
5. Under the Food, Drug, and Cosmetic Act [21 U.S.C. 9 et seq.], incorporated by reference, non-food and drug administration approved hemp-derived products may not be sold as dietary supplements, food or beverage products, or marketed with medical claims.

SECTION 5. A new section to chapter 4.1-18.1 of the North Dakota Century Code is created and enacted as follows:

Powers of commissioner.

If the commissioner reasonably suspects a person is about to engage in, has engaged in, or is engaging in, a violation of this chapter, the commissioner may:

1. Require the person to file, on forms the commissioner prescribes, a statement or report in writing, under oath or otherwise, of all the facts and circumstances concerning the creation, sale, distribution, or advertisement of the hemp commodity or product by the person, as well as other data;
2. Examine under oath the person in connection with the creation, sale, distribution, or advertisement of any hemp commodity or product;
3. Examine any merchandise or sample, record, book, document, account, or paper concerning the creation, sale, distribution, or advertisement of hemp commodity or product by the person; and
4. Pursuant to an order of a district court, seize and retain any merchandise or sample, record, book, document, account, paper, or other evidence as authorized by the order.

SECTION 6. A new section to chapter 4.1-18.1 of the North Dakota Century Code is created and enacted as follows:

Subpoena - Hearing.

To regulate compliance with this chapter, the commissioner, in addition to other powers conferred upon the commissioner by this chapter, may issue subpoenas to any person, administer an oath or affirmation to any person, and conduct hearings in aid of any investigation or inquiry.

SECTION 7. A new section to chapter 4.1-18.1 of the North Dakota Century Code is created and enacted as follows:

Failure to supply information or obey subpoena.

If a person fails or refuses to file any statement or report requested by the commissioner, or obey any subpoena issued by the commissioner, the commissioner may, after notice, apply to a district court and request an order:

1. Granting injunctive relief, restraining the creation, sale, distribution, or advertisement of any hemp commodity or product merchandise by a person;
2. Vacating, annulling, or suspending the charter of a for-profit or nonprofit corporation or limited liability company created by or under the laws of this state or revoking or suspending the certificate of authority to do business in this state of a foreign corporation or limited liability company or revoking or suspending any other licenses, permits, or certificates issued pursuant to law to a person which are used to violate this chapter; and
3. Granting such other relief as may be required.

SECTION 8. A new section to chapter 4.1-18.1 of the North Dakota Century Code is created and enacted as follows:

Assurance of voluntary compliance.

The commissioner may accept an assurance of voluntary compliance for an act or practice the commissioner determines may be in violation of this chapter, from any person the commissioner alleges is about to engage in, engaging in, or has engaged in the violation. The assurance of voluntary compliance must be in writing and must be filed with and is subject to the approval of the district court of the county in which the alleged violator resides or has as a principal place of business, conducts business, or in Burleigh County.

SECTION 9. A new section to chapter 4.1-18.1 of the North Dakota Century Code is created and enacted as follows:

Remedies - Injunction - Other relief - Receiver - Cease and desist orders - Civil penalties - Costs recoverable in adjudicative proceedings.

1. If the commissioner reasonably suspects a person is about to engage in, has engaged in, or is engaging in a practice in violation of this chapter, the commissioner may seek and obtain in an action in a district court an injunction enjoining the person from engaging in the violation, continuing the violation, or doing any act in furtherance of the violation after proper notice to the person. The notice must state generally the relief sought and be served at least ten days before the hearing of the action.
2. If the commissioner reasonably suspects a person is about to engage in, has engaged in, or is engaging in a violation of this chapter, and the person is

about to conceal assets that may have been acquired in violating this chapter, conceal oneself, or leave the state, the commissioner may apply to the district court, ex parte, for an order appointing a receiver of the assets of the person.

3. Upon a showing made by affidavit or other evidence that shows reasonable grounds the person is about to engage in, has engaged in, or is engaging in a violation of this chapter and the person is about to conceal assets that may have been acquired in violating this chapter, conceal oneself, or leave the state, the court shall order the appointment of a receiver to receive the assets of the person. From the received assets, the court may make an order or judgment necessary to restore to another person who has suffered damages due to another person violating this chapter any money or property.
4. If the commissioner reasonably suspects a person is about to engage in, has engaged in, or is engaging in a violation of this chapter, or by an order of the commissioner issued under this chapter, the commissioner, without notice and hearing, may issue a cease and desist order.
 - a. In addition to any other remedy authorized by this chapter, the commissioner may impose by order and collect a civil penalty against a person found in an adjudicative proceeding to have violated a cease and desist order issued pursuant to this section, in an amount not more than five thousand dollars for each violation.
 - b. The person may request a hearing before the commissioner if a written request is made within ten days after the receipt of the order. Unless otherwise specifically provided, an adjudicative proceeding under this section must be conducted in accordance with chapter 28-32.
 - c. If the commissioner prevails in an adjudicative proceeding pursuant to this section, the commissioner may assess the nonprevailing person for all adjudicative proceeding and hearing costs, including reasonable attorney's fees, investigation expenses, costs, and other expenses of the investigation and action.

SECTION 10. A new section to chapter 4.1-18.1 of the North Dakota Century Code is created and enacted as follows:

Powers of receiver.

1. When a receiver is appointed by the court pursuant to this chapter, the receiver may sue for, collect, receive, or take into possession all the goods and chattels, rights and credits, moneys and effects, lands and tenements, books, records, documents, papers, choses in action, bills, notes, and property of every description, derived by means of a violation of this chapter, including property with which the property has been commingled if it cannot be identified in kind because of the commingling, and sell, convey, and assign the property and hold and dispose of the proceeds under the direction of the court.
2. A person who has suffered damages due to another person violating this chapter and submits proof to the satisfaction of the court that the person has in fact been damaged may participate with general creditors in the distribution of the assets to the extent the person has sustained losses. The court has jurisdiction of all questions arising in these proceedings and may make orders and judgments as necessary.

SECTION 11. A new section to chapter 4.1-18.1 of the North Dakota Century Code is created and enacted as follows:

Costs recoverable.

If the commissioner prevails in an action brought to district court under this chapter, the court shall award the commissioner reasonable attorney's fees, investigation expenses, costs, and other expenses associated with the action. All attorney's fees, investigation expenses, costs, and other expenses received by the commissioner under this section must be deposited into the attorney general's general operating fund.

SECTION 12. A new section to chapter 4.1-18.1 of the North Dakota Century Code is created and enacted as follows:

Civil penalties.

The court may assess for the benefit of the state a civil penalty of not more than five thousand dollars for each violation of this chapter. The penalty provided in this section is in addition to those remedies otherwise provided by this chapter. The penalty must be awarded to the commissioner and deposited into the commissioner's general operating fund for use in regulating compliance with this chapter.

⁵⁸ **SECTION 13. AMENDMENT.** Section 4.1-59-09 of the North Dakota Century Code, as created by section 2 of House Bill No. 1393, as approved by the sixty-eighth legislative assembly, is amended and reenacted as follows:

4.1-59-09. Bond filed by grain buyer.

1. Before a license is effective for a grain buyer under this chapter, the applicant for the license shall file a bond with the commissioner which must:
 - a. Be in a sum not less than one hundred thousand dollars.
 - b. Be continuous, unless the corporate surety by certified mail notifies the licensee and the commissioner the surety bond will be canceled ninety days after receipt of the notice of cancellation.
 - c. Run to this state for the benefit of all persons selling grain to or through the grain buyer.
 - d. Be conditioned:
 - (1) For the faithful performance of the licensee's duties as a grain buyer.
 - (2) For compliance with the provisions of law and the rules of the commissioner relating to the purchase of grain by the commissioner monthly.
 - e. Be for the specific purpose of:
 - (1) Protecting the sellers of grain.
 - (2) Covering the costs incurred by the commissioner in the administration of the licensee's insolvency.

⁵⁸ Section 4.1-59-09 was created by section 2 of House Bill No. 1393, chapter 89.

- f. Not accrue to the benefit of any person entering a credit-sale contract with a grain buyer.
2. The aggregate liability of the surety under a bond does not accumulate for each successive annual license renewal period during which the bond is in force but, for losses during any annual license renewal period, is limited in the aggregate to the bond amount stated or changed by appropriate endorsement or rider.
3. The commissioner shall set the amount of the bond and may require an increase in the amount of a bond as the commissioner deems necessary to accomplish the purposes of this section.
4. The amount of the bond for a grain buyer must be based on the dollar value of the grain purchased, solicited, or merchandised.
5. A grain buyer shall report purchases, solicitations, and merchandising agreements to the commissioner monthly.
6. The surety on the bond must be a corporate surety company, approved by the commissioner and authorized to do business within the state. The commissioner may accept cash, a negotiable instrument, or a bond executed by personal sureties in lieu of a surety bond when, in the commissioner's judgment, cash, a negotiable instrument, or a personal surety bond properly will protect the holders of outstanding receipts.

⁵⁹ **SECTION 14. AMENDMENT.** Subparagraph a of paragraph 2 of subdivision m of subsection 5 of section 19-03.1-05 of the North Dakota Century Code is amended and reenacted as follows:

- (a) The allowable amount of total tetrahydrocannabinol found in hemp or an allowed hemp commodity or product as defined in chapter 4.1-18.1; or

Approved April 21, 2023

Filed April 24, 2023

⁵⁹ Section 19-03.1-05 was also amended by section 1 of Senate Bill No. 2093, chapter 210.

CHAPTER 81

SENATE BILL NO. 2246

(Senator Luick)

AN ACT to amend and reenact subsection 5 of section 4.1-20-18 of the North Dakota Century Code, relating to compensation for soil conservation district board members.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 5 of section 4.1-20-18 of the North Dakota Century Code is amended and reenacted as follows:

5. a. Upon a majority vote of the supervisors, ~~the supervisors of a soil conservation district are entitled to receive compensation of up to sixty-two dollars and fifty cents for attending each regular or special meeting or for attending other meetings or events in the performance of their official duties. Supervisors of soil conservation districts are entitled to receive travel and subsistence expenses necessarily incurred in attending district, state, or other meetings. The compensation and all other expenses including travel incurred by district supervisors while transacting district business must be paid from district funds~~while performing duties as a member, the soil conservation district board shall provide to each member:
- (1) Compensation of at least seventy-five dollars per day but not more than the rate set for a member of the legislative assembly under section 54-03-20;
 - (2) An allowance for meals and lodging at the rate set in section 44-08-04;
and
 - (3) Mileage and travel expenses at the rate set in section 54-06-09.
- b. All compensation and expenses under this subsection must be paid from district funds.

Approved March 22, 2023

Filed March 23, 2023

CHAPTER 82

HOUSE BILL NO. 1515

(Representatives Holle, Christensen, Dakane, Henderson, Hoverson, Prichard, Rios,
Toman, Tveit)
(Senators Myrdal, Schaible)

AN ACT to create and enact a new section to chapter 4.1-25 of the North Dakota Century Code, relating to the sale of raw milk directly to a consumer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 4.1-25 of the North Dakota Century Code is created and enacted as follows:

Sale of raw milk directly to a consumer - Prohibitions - Exemptions.

1. A farm may sell raw milk directly to the end consumer for personal consumption.
2. A farm may not sell raw milk to a wholesaler or retail store for mass consumption under this chapter. The seller shall only sell milk within this state. The sale may not involve interstate commerce. Raw milk may not be donated.
3. A farm selling raw milk under the provisions of this section is not subject to any other provision of this chapter, chapters 4.1-05, 4.1-26, 19-02.1, or 23-9, or title 64.

Approved April 24, 2023

Filed April 24, 2023

CHAPTER 83

SENATE BILL NO. 2100

(Agriculture and Veterans Affairs Committee)
(At the request of the Agriculture Commissioner)

AN ACT to amend and reenact sections 4.1-31-01 and 4.1-31-16 of the North Dakota Century Code, relating to the definition of custom exempt establishments and official establishments and registration and licensure of meat processing businesses.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 4.1-31-01 of the North Dakota Century Code is amended and reenacted as follows:

4.1-31-01. Definitions.

1. "Adulterated" means a carcass or meat food product:
 - a. That includes a poisonous or harmful substance that may render it injurious to health;
 - b. That includes a chemical pesticide that is unsafe under the Federal Food, Drug, and Cosmetic Act [21 U.S.C. 301 et seq.];
 - c. That includes a food or color additive that is unsafe under the Federal Food, Drug, and Cosmetic Act [21 U.S.C. 301 et seq.];
 - d. That includes a filthy, putrid, or decomposed substance or is for any other reason unfit for human food;
 - e. That has been prepared, packed, or held under unsanitary conditions;
 - f. That includes the product of an animal that has died in a manner other than slaughter or includes the product of an animal condemned by reason of disease that existed at the time of slaughter;
 - g. The container of which includes a poisonous or harmful substance that may make the contents harmful to health;
 - h. That has been intentionally subjected to radiation, unless the use of the radiation conformed with a regulation or exemption in effect under the Federal Food, Drug, and Cosmetic Act [21 U.S.C. 301 et seq.];
 - i. That is damaged or inferior and that damage or inferiority has been concealed; or
 - j. That has had a substance added to it or mixed or packed with it so as to increase its bulk or weight, or make it appear better or of greater value than it is.

2. "Animal" includes cattle, swine, sheep, goats, farmed cervidae, llama, horses, equines, bison, other large domesticated animals, domesticated rabbits, and poultry.
3. "Carcass" includes all or any part of an animal carcass.
4. "Container" means a receptacle of a meat food product.
5. "Custom exempt establishment" means an establishment as determined by the commissioner where slaughter and processing activities of an animal carcass or meat food products are done as a service for only the owner of the animal and the meat is returned to the owner for personal use.
6. "Custom processing" means slaughtering, eviscerating, dressing, or processing an animal carcass or meat food products for the owner of the animal carcass or the meat food products, if all meat food products derived from the custom processing are returned to that owner.
- 6-7. "Inspector" means an inspector appointed by the commissioner to perform duties under this chapter.
- 7-8. "Intrastate commerce" means commerce within this state.
- 8-9. "Meat" means the edible flesh of an animal born and harvested for the purpose of human consumption.
- 9-10. "Meat food product" means a product usable as human food which contains any part of a carcass from an animal born and harvested for the purpose of human consumption. The term does not include any product that contains any part of an animal carcass in a relatively small proportion or which historically has not been considered by consumers as a product of the meat food industry, and which is not represented as a meat food product.
11. "Official establishment" means an establishment as determined by the commissioner at which state inspection of the slaughter of livestock or poultry or the processing of meat or meat food products for human consumption is maintained under the authority of this chapter, but does not include:
 - a. Establishments subject to federal inspection.
 - b. Custom exempt establishments.
- 40-12. "Poultry" includes domesticated fowl bred for the primary purpose of producing eggs or meat, or both, including chickens, turkeys, ostriches, emus, rheas, cassowaries, waterfowl, and game birds, but excluding doves and pigeons.
- 44-13. "Prepared" means slaughtered, canned, salted, rendered, boned, cut up, or otherwise manufactured or processed.

SECTION 2. AMENDMENT. Section 4.1-31-16 of the North Dakota Century Code is amended and reenacted as follows:

4.1-31-16. Registration and licensure of business.

1. A person may not engage in intrastate business as a meat broker, renderer, or animal food manufacturer; a wholesaler of animal carcasses intended for human food or other purposes; a public warehouse operator storing carcasses of animals in or for intrastate commerce; or a buyer, seller, or transporter of dead, dying, disabled, or diseased animals, or the carcasses of animals that died other than by slaughter, unless the person first provides the commissioner with the person's name, the address of each place of business under which the person conducts business, and all trade names under which the person conducts business.
2. A person, in order to operate under this chapter, shall obtain a license in accordance with the rules adopted by the commissioner. Application for a license must be made on forms provided by the commissioner. The commissioner may refuse to issue a license if the applicant or the establishment of the applicant is not in compliance with this chapter and related rules. If the commissioner finds that the person to which the license is issued violates this chapter or related rules, the commissioner may suspend or revoke the license, or upon revocation and with good cause, refuse to issue a new license.
3. A person applying for a license pursuant to this section shall pay a license fee to the commissioner as follows:
 - a. The license fee for an official establishment is twenty-five dollars;
 - b. The license fee for a custom exempt establishment is twenty-five dollars; and
 - c. The license fee for any other establishment or entity required to be licensed under this chapter is twenty-five dollars.

Approved March 14, 2023

Filed March 15, 2023

CHAPTER 84**HOUSE BILL NO. 1100**

(Agriculture Committee)
(At the request of the Agriculture Commissioner)

AN ACT to amend and reenact section 4.1-31-01.1 of the North Dakota Century Code, relating to the federal meat inspection.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 4.1-31-01.1 of the North Dakota Century Code is amended and reenacted as follows:

4.1-31-01.1. Federal meat inspection regulations.

All federal meat and poultry inspection regulations effective as of ~~October 1, 2019~~October 19, 2022, as provided under title 9, Code of Federal Regulations, parts 301-320, 325, 329, 381, 391, 416-418, 424, 430, 441, 442, and 500, but excluding parts 307.5 and 381.38, are incorporated by reference and made a part of this title.

Approved March 14, 2023

Filed March 15, 2023

CHAPTER 85

HOUSE BILL NO. 1302

(Representatives Schreiber-Beck, Beltz, Fisher, Kiefert)

AN ACT to amend and reenact sections 4.1-37-03 and 4.1-37-04 of the North Dakota Century Code, relating to anhydrous ammonia facility applications.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 4.1-37-03 of the North Dakota Century Code is amended and reenacted as follows:

4.1-37-03. License required - Anhydrous ammonia facilities and mobile storage container.

1. The owner or operator of an anhydrous ammonia storage facility or a mobile storage container shall apply to the agriculture commissioner ~~and to the board of county commissioners~~ for a license to site and operate the facility or mobile storage container. Neither an anhydrous ammonia storage facility nor mobile storage container may be operated without a license issued by the agriculture commissioner ~~and the board of county commissioners of the county in which the facility is located.~~
2. Any permanent anhydrous ammonia storage facility constructed before July 1, 1985, is exempt from the siting requirements of this chapter and may receive a license under this chapter regardless of noncompliance with the siting requirements.
3. The commissioner ~~or the board~~ may deny a license for failure:
 - a. Failure to remit the proper fee ~~for failure~~;
 - b. Failure to comply with the siting requirements of this chapter and rules adopted under this chapter if constructed after June 30, 1985, ~~or for failure to comply with local siting requirements. The agriculture commissioner also may deny a license if the~~; or
 - c. The facility does not failing to meet the initial inspection standards required by this chapter and by any rules adopted under this chapter.
4. To obtain a license, an applicant shall submit with the application ~~two sets of~~ drawings or photographs showing, and ~~two a signed affidavits~~ affidavit stating, the facility or mobile downloading site has been measured and meets the siting requirements. The drawings or photographs must show the proposed location of the tank and the surroundings in all directions. ~~A set of drawings or photographs must be provided to the agriculture commissioner and a set must be provided to the board of county commissioners.~~
5. An applicant for a mobile storage container license also shall submit a certification from the United States department of transportation.

6. The agriculture commissioner shall provide the board of county commissioners, of the county in which the facility is located, a written notification of intent to issue a storage facility operator's license for a new proposed facility. The written notification must include copies of the submitted application materials. Upon receipt of the notification, the county has forty-five days to request an allowance for a local zoning review. If a local zoning review is requested, the agriculture commissioner shall allow the county sixty days to complete the review and give written approval. If the county fails to respond within the specified time frame the agriculture commissioner may issue a license. If the county applies additional zoning requirements, the agriculture commissioner may require compliance with local ordinance before issuing a license.

SECTION 2. AMENDMENT. Section 4.1-37-04 of the North Dakota Century Code is amended and reenacted as follows:

4.1-37-04. State license fee.

The agriculture commissioner shall charge a one-time twenty-five dollar fee for a private anhydrous ammonia storage facility or a mobile storage container license, and a one-time one hundred dollar fee for a retail anhydrous ammonia storage facility or a mobile storage container license. Expansion of an existing anhydrous ammonia storage facility does not require reapplication for licensing, but all siting requirements must be met. The license is valid indefinitely but may not be transferred. A new license is required when an anhydrous ammonia storage facility changes ownership. If a storage facility changes ownership, the agriculture commissioner shall provide a written notification to the county when the commissioner issues a license to the new owner.

Approved March 20, 2023

Filed March 21, 2023

CHAPTER 86

SENATE BILL NO. 2324

(Senator Hogan)

AN ACT to amend and reenact subsection 2 of section 4.1-39-02 of the North Dakota Century Code, relating to the membership of the crop protection product harmonization and registration board.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 2 of section 4.1-39-02 of the North Dakota Century Code is amended and reenacted as follows:

2. ~~The representative of the crop protection product manufacturing industry and~~ the director of the agricultural experiment station shall serve as a nonvoting member~~members~~. The governor or the governor's designee shall serve as chairman of the board.

Approved March 14, 2023

Filed March 15, 2023

CHAPTER 87**HOUSE BILL NO. 1099**

(Agriculture Committee)
(At the request of the Agriculture Commissioner)

AN ACT to amend and reenact subsection 3 of section 4.1-47-04 and section 57-43.1-03 of the North Dakota Century Code, relating to complaints to the proper weed control authority and the refund of tax for fuel used for an industrial purpose.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 3 of section 4.1-47-04 of the North Dakota Century Code is amended and reenacted as follows:

3. Except as otherwise provided, forward all signed complaints to the proper weed control authority; and

SECTION 2. AMENDMENT. Section 57-43.1-03 of the North Dakota Century Code is amended and reenacted as follows:

57-43.1-03. Refund of tax for fuel used for an industrial purpose - Reduction for agricultural products utilization fund.

Any consumer who buys or uses any motor vehicle fuel for an industrial purpose on which the motor vehicle fuel tax has been paid may file a claim with the commissioner for a refund under this chapter. ~~The amount of the tax refund provided for in this section must be reduced by one-half cent per gallon [3.79 liters], except for those fuels used in aircraft or with respect to refunds claimed by aircraft fuel users, and the one-half cent per gallon [3.79 liters] withheld from the refund must be deposited in the agricultural products utilization fund.~~

Approved March 20, 2023

Filed March 21, 2023

CHAPTER 88

SENATE BILL NO. 2062

(Agriculture and Veterans Affairs Committee)
(At the request of the State Seed Department)

AN ACT to amend and reenact subsection 1 of section 4.1-53-48, subsection 3 of section 4.1-53-57, subsection 2 of section 4.1-53-61, subsection 2 of section 4.1-55-17, and section 4.1-57-22 of the North Dakota Century Code, relating to requirements for certification under the plant variety protection act; and to provide a penalty.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 1 of section 4.1-53-48 of the North Dakota Century Code is amended and reenacted as follows:

1. If a certificate of plant variety protection issued under the Plant Variety Protection Act [7 U.S.C. 2121 et seq.], as amended through July 31, ~~2020~~2022, specifies that the variety may be sold only as a class of certified seed, that seed must be certified by an official seed-certifying agency before it can be advertised for sale, offered for sale, or sold.

SECTION 2. AMENDMENT. Subsection 3 of section 4.1-53-57 of the North Dakota Century Code is amended and reenacted as follows:

3. Any person found guilty of violating this chapter or the rules implementing this chapter is subject to a civil penalty in an amount not to exceed ten thousand dollars for each violation. The civil penalty may be imposed ~~by a court in a civil proceeding~~ or by the seed commissioner. The seed commissioner may make application to the district court to compel payment of civil penalties imposed under this section.

SECTION 3. AMENDMENT. Subsection 2 of section 4.1-53-61 of the North Dakota Century Code is amended and reenacted as follows:

2. Seed grown by a producer and sold by that producer without advertising and without using a third party as an agent or broker to effect the sale, provided this exemption is not applicable if the seed is a variety protected by the Plant Variety Protection Act [7 U.S.C. 2321 et seq.], as amended through July 31, ~~2020~~2022.

SECTION 4. AMENDMENT. Subsection 2 of section 4.1-55-17 of the North Dakota Century Code is amended and reenacted as follows:

2. Any person willfully violating this chapter is subject to a civil penalty in an amount not exceeding ten thousand dollars for each violation. The civil penalty may be imposed ~~by a court in a civil proceeding~~ or by the seed commissioner. The seed commissioner may make application to the district court to compel payment of civil penalties imposed under this section.

SECTION 5. AMENDMENT. Section 4.1-57-22 of the North Dakota Century Code is amended and reenacted as follows:

4.1-57-22. Violations of chapter - Penalty.

1. A person is guilty of a class A misdemeanor and subject to a civil penalty in an amount up to ~~one~~ten thousand dollars per violation, which may be imposed by ~~a court or~~ by the seed commissioner in an administrative hearing, if the person:
 1. a. Makes any false statement or report as to the grade, condition, markings, quality, or quantity of potatoes received or delivered, or acts in a manner designed to deceive the consignor or purchaser of the potatoes;
 2. b. Breaches any contract for the purchase or sale of potatoes to which the person was a party unless the breach is based on a state inspection certificate, secured with reasonable promptness after receipt of the shipment and showing that the kind or quality of potatoes is not that which was purchased or ordered;
 3. c. Fails to account for potatoes or to pay for potatoes within the time required by this chapter;
 4. d. Purchases for the person's own account any potatoes received on consignment, either directly or indirectly, without the consent of the consignor;
 5. e. Issues false or misleading market quotations;
 6. f. Cancels any quotations during the period advertised by the person;
 7. g. Makes any false or misleading statement on an application for licensure as a wholesale potato dealer;
 8. h. Increases the sales charges on shipped potatoes by means of fictitious sales;
 9. i. Receives potatoes from foreign states or countries for sale or resale, within or outside this state, and gives the purchaser the impression through any method of advertising or description that the potatoes are from a source other than their true origin; or
 10. j. Violates this chapter or any rule implementing this chapter.
2. The seed commissioner may make application to the district court to compel payment of civil penalties imposed under this section.

Approved March 20, 2023

Filed March 21, 2023

CHAPTER 89

HOUSE BILL NO. 1393

(Representatives D. Johnson, Brandenburg, Thomas)
(Senators Luick, Weber)

AN ACT to create and enact chapters 4.1-58, 4.1-59, 4.1-61, and 4.1-62 of the North Dakota Century Code, relating to grain and seed warehouses, grain buyers, insolvent grain warehousemen, uniform accounting for public elevators and warehouses, and credit-sale contracts indemnity from title 60; to amend and reenact subsection 4 of section 41-07-10 and section 51-23-04 of the North Dakota Century Code, relating to cross-references to repealed laws; to repeal chapters 60-02, 60-02.1, 60-04, 60-05, and 60-10 of the North Dakota Century Code, relating to grain and seed warehouses, grain buyers, insolvent grain warehousemen, uniform accounting for public elevators and warehouses, and credit-sale contracts indemnity; to provide a penalty; and to provide a continuing appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Chapter 4.1-58 of the North Dakota Century Code is created and enacted as follows:

4.1-58-01. Definitions.

In this chapter, unless the context or subject matter otherwise requires:

1. "Credit-sale contract" means a written contract for the sale of grain under which the sale price is to be paid or may be paid more than thirty days after the delivery or release of the grain for sale and which contains the notice provided in section 4.1-58-21. If a part of the sale price of a contract for the sale of grain is to be paid or may be paid more than thirty days after the delivery or release of the grain for sale, only that part of the contract is a credit-sale contract.
2. "Deferred-payment contract" means a credit-sale contract for which the amount owed for the sale of grain has been established, but the payment is postponed until a later date.
3. "Grain" means wheat, durum, oats, rye, barley, buckwheat, flaxseed, speltz, safflower, sunflower seeds, tame mustard, peas, beans, soybeans, corn, clover, millet, alfalfa, and any other commercially grown grain or grass seed. "Grain" as defined in this chapter does not include grain or grass seeds owned by or in the possession of the warehouseman which have been cleaned, processed, and specifically identified for an intended use of planting for reproduction and for which a warehouse receipt has not been issued.
4. "Noncredit-sale contract" means a contract for the sale of grain other than a credit-sale contract.

5. "Public warehouse" means an elevator, mill, warehouse, subterminal, grain warehouse, terminal warehouse, or other structure in which grain is received for storing, buying, selling, shipping, or processing for compensation.
6. "Public warehouseman" means the person operating a public warehouse located or doing business within this state, regardless of whether the owner or operator resides within this state. The term does not include a person permitted to sell seed under chapter 4.1-53, if that person does not store grain for the public and buys grain only for processing and subsequent resale as seed, or an authorized dealer or agent of a seed company holding a permit in accordance with section 4.1-53-43.
7. "Receipts" means grain warehouse receipts, scale tickets, checks, or other memoranda given by a public warehouseman for, or as evidence of, the receipt, storage, or sale of grain except when the memoranda was received as a result of a credit-sale contract.
8. "Receiving station" means any facility other than an individually licensed warehouse which is used by a licensed public warehouseman to receive and temporarily store grain before transferring the grain to the warehouseman's primary licensed warehouse location or delivering it directly to market.

4.1-58-02. Duties of the commissioner.

The commissioner shall:

1. Exercise general supervision of the public warehouses of this state, including the handling, weighing, and storing of grain, and the management of public warehouses.
2. Investigate all complaints of fraud and injustice, unfair practices, and unfair discrimination.
3. Examine and inspect, during ordinary business hours, any licensed warehouse, including all books, documents, and records.
4. Require the filing of reports pertaining to the operation of the warehouse.
5. Make all proper rules for carrying out and enforcing any law in this state regarding public warehouses.

4.1-58-03. Federal licensed inspector and employees.

The commissioner may employ a federal licensed inspector and other employees as necessary to carry out this chapter.

4.1-58-04. Grain marketing - Procedure for resolving disputes.

1. If any dispute or disagreement arises between the person receiving and the person delivering grain at any public warehouse as to the proper grade, dockage, vomitoxin level, moisture content, or protein content of any grain, an average sample of at least three pints [1.65 liters] of the grain in dispute may be taken together by both parties interested.
 - a. The sample must be certified by each party as a true and representative sample of the grain in dispute on the day the grain was delivered.

- b. The sample must be forwarded in a suitable container by parcel post or express, prepaid with the name and address of both parties for inspection by a federal licensed inspector, or a mutually agreed-upon third party, who will examine the grain and adjudge what grade, dockage, vomitoxin level, moisture content, or protein content the sample of grain is entitled to under the inspection rules and grades adopted by the secretary of agriculture of the United States.
 - c. The person requesting the inspection service shall pay for the inspection.
 - d. If the grain in question is damp, otherwise out of condition, or if moisture content is in dispute, the sample must be placed in an airtight container.
 - e. Payment for the grain involved in the dispute must be made and accepted on the basis of the determination made by the federal licensed inspector or third party.
 - f. All other quality factors may also be considered in determining the price of the grain.
 - g. An appeal of the determination made by a third party other than a federal licensed inspector may be made to a federal licensed inspector.
 - h. An appeal of the determination made by a federal licensed inspector may be made as provided under the United States Grain Standards Act [Pub. L. 103-354; 108 Stat. 3237; 7 U.S.C. 79(c) and (d)] and under 7 CFR 800.125-800.140.
 - i. A person not abiding by a final determination is liable for damage resulting from not abiding by the determination.
2. If a dispute or disagreement arises between the person delivering grain and the person receiving grain as to the determination of quality factors of grain purchased or delivered for which inspection rules and grades have not been adopted by the secretary of agriculture of the United States, an average sample of at least three pints [1.65 liters] of the grain in dispute may be taken together by the parties interested.
 - a. The sample must be certified by each party as a true and representative sample of the grain in dispute on the day the grain was delivered.
 - b. If the grain is damp or otherwise out of condition, the sample must be placed in an airtight container.
 - c. The sample must be forwarded in a suitable container by parcel post or express, prepaid with the name and address of both parties, for inspection by a federal licensed inspector, or a mutually agreed-upon third party, who may examine the grain and determine the quality factors in dispute.
 - d. The person requesting the inspection service shall pay for the inspection.
 - e. The determination made by the inspector, or the third party, must be used in the settlement of the dispute.

4.1-58-05. Notice of procedures for resolving disputes over grain.

A public warehouse shall post a notice containing the procedures specified in section 4.1-58-04 for resolving disputes. The commissioner shall prescribe the form of the notice and shall provide a copy of the notice to each public warehouse. The public warehouseman shall post the notice in the grain inspection room of the warehouse. The notice must specifically mention the procedure for resolving disputes applies to the grade, dockage, moisture content, and protein content of grain and to the quality factors of grain for which inspection rules and grades have not been adopted by the secretary of agriculture of the United States.

4.1-58-06. Release of records - Confidentiality.

1. As a condition of licensure under section 4.1-58-08, an applicant shall agree to provide to the commissioner, upon request, any financial record the commissioner deems relevant for purposes related to:
 - a. The issuance or renewal of a public warehouse license; or
 - b. An investigation after issuance or renewal of a public warehouse license.
2. As a condition of licensure, an applicant shall file a records release with the commissioner, authorizing the commissioner to obtain from any source any financial record the commissioner deems relevant for purposes related to:
 - a. The issuance or renewal of a public warehouse license; or
 - b. An investigation after issuance or renewal of a public warehouse license.
3. Information obtained by the commissioner under this section is confidential and may be provided only:
 - a. To federal authorities in accordance with federal law;
 - b. To the attorney general, state agencies, and law enforcement agencies, for use in the pursuit of official duties; and
 - c. As directed by an order of a court pursuant to a showing of good cause.

4.1-58-07. Public warehouse license - Financial criteria to be met.

1. To be eligible to receive an annual public warehouse license, an applicant shall submit financial documentation to the commissioner verifying the applicant has satisfactory net worth and working capital, as determined by the commissioner.
2. A licensed public warehouseman or an applicant for initial licensure shall report balance sheets and income statements to the commissioner annually on written application for initial licensure or license renewal if the applicant purchased up to ten million dollars worth of grain during the previous licensing period, or intends to purchase up to ten million dollars worth of grain during the first year of operation.
3. As a condition of licensure, an applicant shall provide the commissioner, upon request, any financial record or bank verification release the commissioner deems relevant for the purpose of verifying the financial information of an applicant pursuant to the requirements of this section.

4. As a condition of licensure, a new applicant must:
 - a. Pass a background check;
 - b. Have a satisfactory credit score, as determined by the commissioner; and
 - c. Be a responsible person with a good business reputation, as determined by the commissioner, that:
 - (1) Is in the public warehouse business;
 - (2) Has knowledge of, and experience with, generally accepted grain warehousing and handling practices;
 - (3) Is competent and willing to operate a public warehouse in accordance with state and federal regulations; and
 - (4) Has not committed fraud or a criminal offense indicating a lack of business integrity or honesty that undermines the person's responsibility as a warehouse operator.

4.1-58-08. Public warehouse license - Fee - Posting of license.

1. A license must be obtained from the commissioner for each public warehouse in operation in this state. A license issued is for one year and terminates on the thirty-first day of July in the year of expiration. An initial annual license application that becomes effective after June first does not expire until July thirty-first of the following calendar year.
2. A license may not describe more than one public warehouse nor grant permission to operate a public warehouse other than the one described.
3. a. The annual license fee for a public warehouse is:
 - (1) Four hundred dollars for a warehouse that purchased up to one million dollars worth of grain during the previous licensing period, or intends to purchase up to one million dollars worth of grain during the first year of operation;
 - (2) Eight hundred dollars for a warehouse that purchased more than one million dollars worth of grain but not more than ten million dollars worth of grain during the previous licensing period, or intends to purchase more than one million dollars worth of grain but not more than ten million dollars worth of grain during the first year of operation; and
 - (3) One thousand two hundred dollars for a warehouse that purchased more than ten million dollars worth of grain during the previous licensing period, or intends to purchase more than ten million dollars worth of grain during the first year of operation.
- b. An application for an annual license renewal received after July fifteenth must include an additional one hundred dollar fee per warehouse.
4. If a public warehouseman operates two or more warehouses in the same city or railroad siding, in conjunction with each other and with the same working

force, and keeps one set of books and records for the warehouses, and issues one series of scale tickets, warehouse receipts, checks, and credit-sale contracts for the grain stored and purchased, only one license is required for the operation of all the warehouses. When two or more warehouses are operated under one license, the license fee is based upon the combined value of the grain purchased by the warehouses during the previous licensing period.

5. The license must be posted in a conspicuous place in the public warehouse.

4.1-58-09. Warehouseman to operate warehouse owned by another.

A warehouseman may operate under its license a warehouse owned by another person. Storage performed for the person in the entire licensed warehouse is excepted from the storage rate and discrimination provisions contained in sections 4.1-58-19 and 4.1-58-22 to the extent of the person's owned capacity in the warehouse.

4.1-58-10. Receiving stations.

1. A licensed public warehouseman may establish a receiving station without a separate warehouse license for that facility if:
 - a. The station is colocated with another licensed public warehouse, the operator of which takes delivery of the grain on behalf of the warehouseman that established the receiving station.
 - b. The storage space used by the receiving station is used solely by the receiving station and is not licensed as part of the warehouse located at that site.
 - c. The grain taken in by the receiving station is not commingled with other grain at that site.
 - d. The warehouseman establishing the station requests and receives permission from the commissioner to increase licensed capacity to include the space to be used at the receiving station.
 - e. Grain received at the receiving station is recorded on scale tickets issued by the warehouseman that established the station and is covered by that warehouseman's bond.
 - f. Warehouse-receipted grain received at the receiving station is available for redelivery to the receipt holder at that location even if the station has been closed. A charge for redelivery must be stated in the warehouseman's redelivery policy.
2. The storage space used by a receiving station need not be physically disconnected from the facilities of the other licensed warehouse located at that site.

4.1-58-11. Bond filed by public warehouseman.

1. Before a license is effective for a public warehouseman, the applicant for the license shall file a bond with the commissioner which must:

- a. Be in a sum not less than one hundred thousand dollars for any one warehouse.
 - b. Be continuous, unless the corporate surety by certified mail notifies the licensee and the commissioner the surety bond will be canceled ninety days after receipt of the notice of cancellation.
 - c. Run to this state for the benefit of all persons storing or selling grain in that warehouse.
 - d. Be conditioned:
 - (1) For the faithful performance of the licensee's duties as a public warehouseman.
 - (2) For compliance with the provisions of law and the rules of the commissioner relating to the storage and purchase of grain by the warehouseman.
 - e. Specify the location of each public warehouse intended to be covered by the bond.
 - f. Be for the specific purpose of:
 - (1) Protecting the holders of outstanding receipts.
 - (2) Covering the costs incurred by the commissioner in the administration of this chapter in the event of the licensee's insolvency.
 - g. Not accrue to the benefit of any person entering a credit-sale contract with a public warehouseman.
2. The aggregate liability of the surety under a bond does not accumulate for each successive annual license renewal period during which the bond is in force but, for losses during an annual license renewal period, is limited in the aggregate to the bond amount stated or changed by appropriate endorsement or rider.
 3. The commissioner shall set the amount of the bond and may require an increase in the amount of a bond as the commissioner deems necessary to accomplish the purposes of this section. The amount of the bond must be:
 - a. Based on the dollar value of the grain purchased; and
 - b. Calculated using the value of the amount of grain intended to be purchased by a new licensee during the first year of operation, or the three-year rolling annual average of the value of grain purchased at the time of license renewal.
 4. The surety on the bond must be a corporate surety company, approved by the commissioner, and authorized to do business within the state. The commissioner may accept cash, a negotiable instrument, or a bond executed by personal sureties in lieu of a surety bond if, in the commissioner's judgment, the cash, negotiable instrument, or personal surety bond properly will protect the holders of outstanding receipts.

5. One bond only may be given for a line of elevators, mills, or warehouses, owned, controlled, or operated by one individual, firm, corporation, or limited liability company, and the bond must be construed to cover the elevators, mills, or warehouses, as a whole and not a specific amount for each.

4.1-58-12. Bond cancellation - Release of surety.

1. The surety on a bond is released from all future liability accruing on the bond after the expiration of ninety days from the date of receipt by the commissioner of notice of cancellation by the surety or on a later date specified by the surety. This provision does not operate to relieve, release, or discharge the surety from any liability already accrued or which accrues before the expiration of the ninety-day period.
2. Unless the warehouseman files a new bond at least thirty days before liability ceases, the commissioner, without hearing, immediately shall suspend the warehouseman's license and the suspension may not be removed until a new bond has been filed and approved by the commissioner.
3. If a license is suspended under this section, the warehouseman shall give notice of the suspension to each receipt holder having grain stored in the warehouse.
4. The warehouseman shall notify each receipt holder having grain stored in the warehouse that the grain must be removed from the warehouse or the grain will be priced and redeemed in cash in accordance with section 4.1-58-40.

4.1-58-13. Bond discount.

1. The licensee may request a bond reduction based upon the licensee's conversion policy.
 - a. The required bond is reduced by thirty percent for a licensee that establishes and follows a conversion policy approved by the commissioner of ten days or fewer.
 - b. The required bond is reduced by fifteen percent for a licensee that establishes and follows a conversion policy approved by the commissioner of eleven to twenty-one days.
2. A reduction under this section may not be used to reduce the required bond below the minimum bond set in law.

4.1-58-14. Revocation and suspension.

1. Except as provided in subsection 2, the commissioner may suspend or revoke the license of a warehouseman for cause upon notice and hearing.
2. Notwithstanding any other provision of this chapter, the commissioner immediately shall suspend the license of a warehouseman for failure at any time to have or to maintain either a bond or insurance policy in the amount and type required.
3. During a license suspension, the warehouseman, upon the commissioner's approval, may operate the warehouse and purchase or redeliver grain previously received, but may not receive additional grain for purchase.

storage, shipping, or processing. The warehouseman may sell grain only with the prior approval of the commissioner.

4.1-58-15. Scale ticket - Contents - Conversion.

1. Every public warehouseman, upon receiving grain into the warehouse, shall issue a uniform scale ticket for each load of grain received.
 - a. The scale tickets must be numbered consecutively, and one copy of each ticket must be retained and remain as a permanent record.
 - b. The original ticket must be delivered to the individual from which the grain is received, upon receipt of each load of grain.
 - c. All scale tickets must be converted into cash, noncredit-sale contracts, credit-sale contracts, or warehouse receipts, within thirty days after the grain is delivered to the warehouse.
2. This chapter does not require a warehouseman to receive, store, or purchase grain. A warehouseman shall publish and post, in a conspicuous place in the warehouse, a publication identifying whether storage will be available to patrons or whether grain will be accepted via cash or a credit-sale contract arrangement.
3. A producer that fails to convert a scale ticket in accordance with subsection 1 forfeits any trust fund or credit-sale contract indemnity fund protection provided under sections 4.1-58-11, 4.1-58-21, and 4.1-58-45.

4.1-58-16. Purchase by warehouseman - Form of receipt.

1. A warehouseman may print on each warehouse receipt issued by the warehouseman a receipt executed by the owner for use if the grain represented on the receipt is purchased by the warehouseman. The warehouseman shall record the purchase, as to the amount paid per bushel, on the stub record or copy of the warehouseman's warehouse receipt books. The receipt must be in substantially the following form:

Received from _____, _____ dollars and _____
cents net, in full payment for the grain represented by this warehouse
receipt. Gross price per bushel _____, storage per bushel
_____, net price per bushel _____. I certify that I am the owner of
the grain for which this receipt was issued, and that there are no liens,
chattel mortgages, or other claims against the grain represented by this
receipt.

Dated _____, _____. Signed _____
Owner.

2. This section does not affect in any manner the conditions of the storage contract specified in sections 4.1-58-19 and 4.1-58-20.

4.1-58-17. Warehouse receipts - Copy.

1. A warehouseman shall provide a stub record or copy of each warehouse receipt issued by the warehouseman, showing:

- a. The serial number and date of receipt.
 - b. The kind and grade of grain.
 - c. The dockage and net weight of the grain.
2. The warehouseman shall retain possession of the record or copy for inspection by the commissioner and others properly interested.

4.1-58-18. Warehouse receipt - Contents and provisions.

A warehouseman shall provide a warehouse receipt that must:

1. Be issued only upon the actual delivery of grain to the warehouse for storage.
2. Contain the following provisions:
 - a. The place and date the grain was received;
 - b. The name and address of the owner of the grain;
 - c. The kind and grade of the grain according to the official standards established by the secretary of agriculture of the United States, except that receipts issued for dry edible beans must reference, in lieu of a grade designation, the number of the scale tickets containing a description of the beans, including the percentage of foreign material, splits, check seed coats, total pick, and moisture; and
 - d. The gross weight, dockage, and net weight of the grain according to this state's standard weight.
3. Be numbered consecutively, and no two receipts bearing the same number and series may be issued during the same year.
4. Not be altered by any warehouseman by the insertion in the receipt of any language limiting or modifying its liability as imposed by the law.
5. Contain, either on its face or reverse side, the warehouse and storage contract provided for in section 4.1-58-19.
6. Have printed upon the receipt the following words: "All storage contracts on grain in store at public grain warehouses terminate on _____, as identified in the publication required by section 4.1-58-19. If storage charges and warehouseman's advances remain unpaid at the time of termination, the warehouseman may sell a sufficient amount of grain to pay the charges and advances. The receipt holder shall surrender the receipt to the issuing warehouseman for settlement."

4.1-58-19. Warehouse and storage contract - Storage rates - Terminal delivery.

1. A warehouse receipt must contain, either on its face or reverse side, the following warehouse and storage contract:

This grain is received, insured, and stored subject to the laws and rules of the state of North Dakota, the terms of this contract, and the charges and

conditions stated herein and as filed with the North Dakota agriculture commissioner. Upon surrender of this receipt and payment or tender of all applicable charges, the amount, kind, and grade of grain identified in this receipt will be delivered to the person named above or the person's order as rapidly as due diligence, care, and prudence will permit. At the option of the holder of this receipt, the amount, kind, and grade of grain for which this receipt is issued, upon demand, must be delivered back to the holder at any terminal point customarily shipped to, or at the place where received, upon the payment of any charges for receiving, handling, storage, and insurance and in case of terminal delivery, the payment in addition to the above of the regular freight charges on the gross amount called for by this ticket or in lieu thereof, a receipt issued by a bonded warehouse or elevator company doing business at the terminal point. This receipt does not require the delivery of the identical grain specified herein, but an equal amount of grain of the same kind and grade must be delivered.

2. A warehouseman shall publish and post, in a conspicuous place in its warehouse, the fees that will be assessed for receiving, storing, processing, or redelivering grain and the termination date of its warehouse receipts. This publication must be filed with the commissioner as a part of the warehouse license process or annual renewal. The fees and termination date must be stated on the warehouse receipt issued for the grain. The fees or termination date may be changed upon filing a revised publication with the commissioner.

4.1-58-20. Covenant against liens may be inserted in warehouse receipt.

A public warehouseman also may insert in the warehouse receipt the following provision:

If any of the grain embraced in this receipt proves to be covered by a chattel mortgage or other lien, or the partial or absolute title proves to be in someone other than the person to whom this receipt was issued, the same, if discovered before the delivery of the grain, is sufficient reason for the refusal to deliver to the holder of the receipt, or if discovered after the delivery of the grain, the delivery is deemed an additional delivery for which the holder of this receipt, to whom the delivery is made, is accountable.

4.1-58-21. Credit-sale contracts.

1. A warehouseman may not purchase grain by a credit-sale contract except as provided in this section. All credit-sale contracts must be in writing and must be consecutively numbered when printing the contract. The warehouseman shall maintain an accurate record of all credit-sale contract numbers, including the disposition of each numbered form, whether by execution, destruction, or otherwise. Each credit-sale contract must contain or provide for:
 - a. The seller's name and address.
 - b. The conditions of delivery.
 - c. The amount and kind of grain delivered.
 - d. The price per unit or basis of value.
 - e. The date payment is to be made.

- f. The duration of the credit-sale contract.
- g. Notice in a clear and prominent manner that the sale is not protected by the bond coverage provided for in section 4.1-58-11. However, if the warehouseman has obtained bond coverage in addition to that required by section 4.1-58-11 and that coverage extends to the benefit of credit-sale contracts, the warehouseman may state that in the credit-sale contract along with the extent of the coverage.
2. The contract must be signed by both parties and executed in duplicate. An electronic signature satisfies the requirement. An unsigned contract must be considered an unconverted scale ticket in accordance with section 4.1-58-15. The warehouseman shall retain one copy and deliver one copy to the seller. Upon revocation, termination, or cancellation of a warehouseman's license, the payment date for all credit-sale contracts, at the seller's option, must be advanced to a date not later than thirty days after the effective date of the revocation, termination, or cancellation, and the purchase price for all unpriced grain must be determined as of the effective date of revocation, termination, or cancellation in accordance with all other provisions of the contract. When a public warehouse is transferred under this chapter, credit-sale contracts may be assigned to another licensed public warehouseman.
3. A warehouseman that uses deferred-payment contracts shall inform producers of bond protection.

4.1-58-22. Discrimination by public warehouseman prohibited - Posting prices.

1. A public warehouseman may not discriminate:
 - a. In the buying, selling, receiving, and handling of grain or in the charges made or the service rendered to owners of stored grain;
 - b. In the receiving of grain offered for sale or storage;
 - c. In regard to the persons offering grain for sale or storage; or
 - d. Between points or stations except as the marketing factors or transportation costs or grain quality premiums may warrant.
2. A public warehouseman is not required to receive for storage any grain that is heating or otherwise out of condition. Storing grain free of charge is prohibited except as prescribed by law. A warehouseman shall post grain prices paid in a conspicuous place in the office or driveway of the warehouseman's place of business.

4.1-58-23. Issuance of informal memoranda forbidden - Penalty.

A warehouseman that fails to issue a receipt, as is provided in sections 4.1-58-16 and 4.1-58-17, or issues slips, memoranda, or any other form of receipt embracing a different warehouse or storage contract than is provided for specifically in this chapter, is guilty of a class A misdemeanor.

4.1-58-24. Liability of warehouseman.

A public warehouseman is liable to the owner for the delivery of the kind, grade, quality, and quantity of grain called for by the warehouse receipt. Unless otherwise agreed, the value of any difference in kind, grade, quality, and quantity must be settled at the price on the local market on the day the warehouseman receives written request for delivery. The warehouseman may withhold from delivery a sufficient quantity of grain, based upon the local market price, to satisfy the value of any difference in kind, grade, or quality.

4.1-58-25. Records to be kept by public warehouseman.

1. A public warehouseman shall keep a record of all grain received, stored, and shipped, stating the:
 - a. Weight.
 - b. Grade.
 - c. Dockage for dirt or other causes.
 - d. Name of owner.
 - e. Price paid.
 - f. Storage charge collected.
2. A warehouseman with a principal office or headquarters located outside this state shall make available, if requested, all books, documents, and records relevant to a warehouse in this state for inspection during ordinary business hours at any of the warehouseman's warehouses located in this state or other mutually acceptable place.

4.1-58-26. Reports to be made by public warehouseman - Confidential information - Penalty for failure.

1. Each licensed and bonded public warehouseman shall:
 - a. Prepare for each month a report giving facts and information called for on the form of report prepared by the commissioner. The report must contain or be verified by a written declaration the report is made under the penalties of perjury. The report may be called for more frequently if the commissioner deems necessary. Information pertaining to the volume of grain handled is a confidential trade secret and is not a public record. The commissioner may make the information available for use by other governmental entities, but the commissioner may not release the information in a manner that jeopardizes the confidentiality of individual licensees.
 - b. File the report with the commissioner not later than the last day of the following month, and failure to file this report promptly is cause for revoking the warehouse license after due notice and hearing.
 - c. Keep a separate account of the grain business, if the warehouseman is engaged in handling or selling any other commodity, and under no circumstances may the grain account and other accounts be mixed.

- d. Submit additional information requested by the commissioner pursuant to a report or an inspection within five business days.
2. The commissioner may refuse to renew a license to any public warehouseman that fails to make a required report.

4.1-58-27. Bailment not a sale.

When grain is delivered to any public warehouse and an unconverted scale ticket or a warehouse receipt is issued, the delivery is a bailment and not a sale of the grain delivered. The grain delivered may not be liable to seizure upon process of a court in an action against the bailee, except in an action by an owner of the unconverted scale ticket or warehouse receipt to enforce the terms of the delivery or obtain redelivery of the delivered grain. In the event of the failure or insolvency of the warehouseman, all the grain in the warehouse, whether the grain is stored or not, first must be applied at all times to the satisfaction of receipts issued by the warehouseman.

4.1-58-28. Receiptholder's lien.

Grain contained in a warehouse, including grain owned by the warehouseman, is subject to a first priority lien for outstanding receiptholders storing, selling, or depositing grain in the warehouse. The lien created under this section is preferred to any lien or security interest for any creditor of the warehouseman regardless of the time when the creditor's lien or security interest attached to the grain. Notice of the lien created under this section need not be filed to perfect the lien. The lien created by this section is discharged as to grain sold by the warehouseman to a buyer in the ordinary course of business. The sale does not discharge the lien for an individual receiptholder in the remaining grain in the warehouse.

4.1-58-29. Standard weights to be used - Exception.

A person purchasing, selling, or storing grain in a public warehouse in this state may not use any measure for the grain other than the standard bushel, and no number of pounds may be used or called a bushel other than the number of pounds provided by law as the standard weight of the kind of grain in question, except during the months of October and November, not exceeding eighty-two pounds [37.19 kilograms], and during the months of December and January, not exceeding seventy-six pounds [34.47 kilograms], may be used as the standard weight per bushel of new ear corn.

4.1-58-30. Federal grades to control - Grades to be posted.

All public warehousemen shall purchase and store grain except dry edible beans in accordance with the official grades established by the secretary of agriculture of the United States, except as otherwise provided in rules and regulations applicable thereto adopted by federal officials pursuant to law.

1. Public warehousemen shall post in a conspicuous place in the public warehousemen's warehouse the official grades established and also any change that may be made.
2. Warehousemen of dry edible beans shall purchase, store, and deliver beans in accordance with the policy of the warehousemen which must be filed with the commissioner and posted in a conspicuous place in the warehouse of the public warehousemen.

3. Other grading standards may be used if mutually agreed to in writing by the warehouseman and the owner of the grain. However, the owner may demand the use of federal grading standards.
4. The commissioner, after a hearing, may prohibit the use of nonfederal grades.

4.1-58-31. Grading of grain - Penalty.

1. A public warehouseman before testing for grade any grain handled by the warehouseman shall remove and make due allowance for any dockage of the grain made by reason of the presence of straw, weed seeds, dirt, or any other foreign matter.
2. A public warehouseman that violates this section is guilty of a class B misdemeanor.

4.1-58-32. Termination of public grain warehouse storage contracts - Notice to receipt holder.

1. A storage contract terminates on the date identified in the publication required by section 4.1-58-19. If a different termination date is not identified in the publication, a storage contract on grain in a public grain warehouse terminates on June thirtieth of each year, except for a storage contract on dry edible beans which terminates on April thirtieth of each year.
2. Storage of grain in a public grain warehouse may be terminated by the receipt holder at any time before the applicable date by the payment of all legal charges and the surrender of the warehouse receipt, with a demand for delivery of the grain in storage, or notice to the public warehouseman to sell the stored grain.
3. Upon the expiration of the storage contract, the warehouseman is not obligated to renew the storage contract.
4. At least thirty days before the termination date of a storage contract, the public warehouseman shall notify the receipt holder by mail of the warehouseman's intention to terminate the storage contract on the date identified in the storage contract, unless the receipt holder, before that time, demands redelivery, authorizes sale, extends the storage contract, or enters a new contract with the public warehouseman for restorage. Failure to notify the receipt holder, as required by this section, results in the forfeiture of storage charges accrued for the grain during the previous twelve months.
5. In the absence of a demand for delivery, an order to sell, or an agreement between the public warehouseman and the receipt holder for storage after the termination date of the storage contract, the warehouseman, upon the expiration of the storage contract, may sell at the local market price on the close of business on that day, all stored grain of the receipt holder and tender to the receipt holder the proceeds of the sale, less accrued storage charges and the public warehouseman's advances upon any previous storage contract of the receipt holder.

4.1-58-33. Reissue warehouse receipts - Provisions.

Upon payment of all legal accrued charges and the surrender to the warehouseman of a receipt, if the receipt holder and the warehouseman agree to

continue the storage contract, the warehouseman may extend the storage contract or issue a new warehouse receipt to the owner and cancel the former receipt by endorsing on the receipt the words: "Canceled by the issuance of warehouse receipt no. _____", inserting the number of the reissue warehouse receipt thereafter, and the holder's name must be signed thereto by the holder or by the holder's authorized agent. The reissue warehouse receipt must be designated by stamping on the receipt: "Reissue of warehouse receipt no. _____".

4.1-58-34. Delivery of grain - Demand terminates storage charge.

On the return and surrender of any receipt and the payment of all lawful charges, the grain represented on the receipt must be deliverable to the owner and is not subject to any further charge for storage after demand for delivery is made and proper facilities for receiving or shipping the grain have been provided. The owner of the receipt shall order the receptacle in which the grain covered by the owner's receipt is to be transported, and the grain must be delivered when the ordered receptacle is in proper condition for loading and is placed at the warehouse. The licensee may not assess receiving or redelivery fees on the grain redelivered during a suspension, following a revocation, or when the owner of the grain is taking redelivery because the licensee is unable to pay for the grain.

4.1-58-35. Grain to be kept insured for benefit of owner by warehouseman.

A public warehouseman license is not effective unless all grain in storage or on deposit in the warehouse is kept fully insured at the expense of the warehouseman for the benefit of the owner at the current market value of the grain against loss by fire, lightning, internal explosion, windstorm, cyclone, tornado, and other risks of direct physical loss as provided by the insurer in a policy approved by the insurance commissioner. An insurance policy covering grain in a public warehouse may not be transferred or assigned to any person for any purpose, except for grain that is not on warehouse receipt or deposit. The insurance policy must be continuous and may only be canceled in accordance with section 4.1-58-36.

4.1-58-36. Insurance - Cancellation - Suspension of license.

An insurance company shall give at least ten days' notice to the commissioner and the insured by certified mail return receipt requested before cancellation of an insurance policy required under section 4.1-58-35. The warehouseman shall notify each receipt holder having grain stored in the warehouse the grain must be removed from the warehouse or the grain will be priced and redeemed in cash in accordance with section 4.1-58-40.

4.1-58-37. Destruction of grain in public warehouse - First lien by holder of outstanding receipt.

The holder of an unconverted scale ticket or warehouse receipt issued by any public warehouseman has a first lien, to the extent of the value of the grain when lost at the place where held, on all insurance of the warehouse for any loss sustained by the receipt holder, on account of the loss of the grain by fire, tornado, or any other cause covered by the insurance policy.

4.1-58-38. Refund of license fee by commissioner.

If requested in writing, the commissioner shall refund the license fee of a public warehouse, or so much as in the commissioner's judgment is just and reasonable, if satisfactory proof is furnished the warehouse has been transferred to some other person, and the new owner has obtained a license for the same warehouse for the

unexpired period for which the original license was issued. If a warehouse is destroyed by fire or other cause, the license fee may be prorated as the commissioner may determine.

4.1-58-39. Transfer of warehouse - Redemption of receipts.

1. If a public warehouseman desires to transfer a warehouse, either by sale or lease to any other person, the warehouseman shall:
 - a. Notify the commissioner of the warehouseman's intention to transfer the warehouse, giving the name and address of the proposed lessee or purchaser.
 - b. Furnish a statement of all proper claims that may be filed or pending against the warehouseman pertaining to the storage, inspection, and marketing of grain, with a statement of:
 - (1) The number of bushels of grain of each kind and grade in store in the warehouse;
 - (2) The number and amount of receipts outstanding; and
 - (3) The names and addresses of the receiptholders.
 - c. Serve notice by registered mail, at least thirty days before the transfer, upon all receiptholders having claims against the warehouse to call for delivery of the grain covered by the receipts, and to pay all storage charges due, the warehouseman to make no charge for redelivery. The commissioner may waive the thirty-day notice period upon receipt of written consent of all receiptholders.
 - d. Transfer all stored grain undelivered at the expiration of the thirty-day period to the warehouseman's successor, if licensed, or to the nearest licensed warehouse for restorage, taking receipts for the restorage for the owner of the grain transferred.
 - e. Surrender to the commissioner the warehouseman's license for cancellation, at which time the proposed lessee or purchaser shall file in due form for a new license and tender a new bond for review by the commissioner, at which time, the commissioner, first being duly satisfied all the outstanding receipts have been redeemed, or that the redemption of all outstanding receipts has been provided for, the commissioner may permit a new license to become effective for the lessee or purchaser.
2. A sale, lease, or transfer of any warehouse may not be recognized by the commissioner except when made in accordance with this section.

4.1-58-40. Going out of business - Redemption of receipts.

1. If a public warehouseman ceases business through the destruction of a warehouse by fire or other cause, or through insolvency, the warehouseman shall redeem all outstanding unconverted scale tickets or warehouse receipts at the price prevailing on the date the warehouse was destroyed or closed because of insolvency. The holder of the receipts, upon due notice, shall accept this price and surrender the receipts.

2. A public warehouseman that voluntarily ceases business or fails to renew an existing warehouse license or has the warehouse license revoked shall notify the commissioner and all outstanding receiptholders of the closing and redeem all outstanding unconverted scale tickets or warehouse receipts at the price prevailing on the date the warehouse closed or at the option of the owner of the receipt redeliver the kind, grade, and quantity of grain called for by the unconverted scale ticket or warehouse receipt.
3. On commingled grain the value of over and under deliveries in quantity, grade, and protein must be settled in cash and priced on the market on the day of closing.

4.1-58-41. Cease and desist.

If a warehouseman engages in an activity or practice contrary to this chapter or related rules, the commissioner, upon the commissioner's own motion without complaint, with or without hearing, may order the warehouseman to cease and desist from the activity until further order of the commissioner. An order may include any corrective action up to and including license suspensions. A cease and desist order must be accompanied by a notice of opportunity to be heard on the order within fifteen days of the issuance of the order.

4.1-58-42. Agricultural contracts - Mediation or arbitration.

If a written contract for the sale of grain does not contain provisions to settle disagreements concerning factors not governed by section 4.1-58-04, the parties shall attempt to resolve the disagreements through mediation or arbitration.

4.1-58-43. Licensed warehouse capacity and condominium storage.

1. Unless an entire warehouse facility is used for nonpublic purposes, all physically connected portions of the facility must be licensed in accordance with this chapter.
2. The warehouseman shall issue receipt memoranda for all grain received.
3. Facilities that are physically connected to the licensed warehouse may be sold under a condominium arrangement or leased to other entities for nonpublic use and sales and lease agreements must be based on the capacity of the bins involved and not on the number of bushels held in the space.
4. The licensee shall provide contents insurance and bond coverage for the space.
5. If a licensee becomes insolvent, the contents of the space must be considered an asset to the trust fund established under this chapter and owners and lessees are entitled to trust fund protection in a manner equal to all other valid grain receiptholders.

4.1-58-44. Insolvency of warehouseman.

A licensee is insolvent when the licensee refuses, neglects, or is unable upon proper written demand, including electronic communication, to pay for grain purchased or marketed by the licensee or to make redelivery or payment for grain stored.

4.1-58-45. Trust fund established - Trustee.

1. Upon the insolvency of a warehouseman, a trust fund must be established:
 - a. For the benefit of noncredit-sale receiptholders of the insolvent warehouseman, other than those that have waived their rights as beneficiaries of the trust fund in accordance with section 4.1-58-15; and
 - b. To pay the costs incurred by the commissioner in the administration of this chapter.
2. The trust fund consists of the following:
 - a. The grain in the warehouse of the insolvent warehouseman or the proceeds as obtained through the sale of the grain;
 - b. The proceeds, including accounts receivable, from any grain sold from the time of the filing of the claim that precipitated an insolvency until the commissioner is appointed trustee;
 - c. The proceeds of insurance policies upon grain destroyed in the elevator;
 - d. The claims for relief, and proceeds from the claims for relief, for damages upon any bond given by the warehouseman to ensure faithful performance of the duties of a warehouseman;
 - e. The claims for relief, and proceeds from the claims for relief, for the conversion of any grain stored in the warehouse;
 - f. Unencumbered accounts receivable for grain sold before the filing of the claim that precipitated an insolvency;
 - g. Unencumbered equity in grain hedging accounts; and
 - h. Unencumbered grain product assets.
3. Upon the insolvency of a warehouseman, the commissioner shall act as trustee of the trust fund.

4.1-58-46. Possession of grain.

Upon the commissioner's appointment, the commissioner shall seek possession of the grain to be included in the trust fund. Upon the commissioner's possession of any grain in the warehouse, the commissioner shall sell the grain and apply the proceeds to the trust fund.

4.1-58-47. Joinder of surety - Deposit of proceeds.

The surety on the warehouseman's bond must be joined as a party to the insolvency proceeding upon a motion by the commissioner if the commissioner believes proceeds from the warehouseman's bond may be needed to redeem outstanding receipts issued by the warehouseman. If it appears in the best interests of the receiptholders, the commissioner may order the surety to deposit the penal sum of the bond, or so much of the sum as may be deemed necessary, into the trustee's trust account pending a final determination of the surety's liability under the bond.

4.1-58-48. Notice to receiptholders and credit-sale contract claimants.

1. Upon the commissioner's appointment, the commissioner may take possession of relevant books and records of the warehouseman.
2. The commissioner shall cause a notice of the commissioner's appointment to be published once each week for two consecutive weeks in a newspaper in the county in which the warehouse is located and may notify by ordinary mail the holders of record of outstanding receipts and those that are potential credit-sale contract claimants, as shown by the warehouseman's records.
3. The notices must require outstanding receiptholders and credit-sale contract claimants to file claims against the warehouseman with the commissioner along with the receipts, contracts, or any other evidence of the claims as required by the commissioner.
4. If an outstanding receiptholder or credit-sale contract claimant fails to submit a claim within forty-five days after the last publication of the notice or a longer time as prescribed by the commissioner, the commissioner is relieved of further duty or action under this chapter on behalf of the receiptholder or credit-sale contract claimant and the receiptholder or credit-sale contract claimant may be barred from payment for any amount due.
5. Outstanding receiptholders and credit-sale contract claimants are not parties to the insolvency action unless admitted by the court upon a motion for intervention.

4.1-58-49. Remedy of receiptholders.

A receiptholder does not have a separate claim for relief upon the warehouseman's bond, for insurance, against any person converting grain, nor against any other receiptholder, except through the trustee, unless, upon demand of five or more receiptholders, the commissioner fails or refuses to apply for the commissioner's own appointment. This chapter does not prohibit or prevent a receiptholder, either individually or with other receiptholders, from pursuing concurrently other remedies against the person or property of the warehouseman, for the whole, or any deficiency occurring in the redemption, of the receipts.

4.1-58-50. Commissioner to marshal trust assets.

Upon the commissioner's appointment, the commissioner may maintain suits at law or in equity, or any special proceeding, in the name of this state, upon the commissioner's own relation, but for the benefit of all receiptholders against: the insurers of grain; the warehouseman's bond; a person that may have converted any grain; or a receiptholder that received more than the receiptholder's just and pro rata share of grain, for the purpose of marshalling all trust fund assets and distributing the same among the receiptholders. The commissioner shall seek possession of any grain in the warehouse before recourse is had against the insurers of grain, and the remedy against the insurers of grain must be exhausted before recourse is had against the bond, and against the bond before recourse is had against the person honestly converting grain, unless the commissioner deems it necessary to the redemption of the receipts that all the above remedies be pursued at the same time.

4.1-58-51. Power of commissioner to prosecute or compromise claims.

The commissioner may:

1. Prosecute an action provided in this chapter in any court in this state or in any other state.
2. Appeal from an adverse judgment to the courts of last resort.
3. Settle and compromise an action if it is in the best interests of the receiptholders.
4. Settle and compromise an action if it is in the best interests of the credit-sale contract claimants.
5. Upon payment of the amount of the compromise or of the full amount of an insurance policy, bond, or conversion claim, exonerate the person so compromising or paying in full from further liability growing out of the action.

4.1-58-52. Commissioner's authority - Warehouseman - Trust assets.

Upon the commissioner's determination continued operation of a warehouseman is likely to result in probable loss of assets to receiptholders, the commissioner may immediately suspend, close, or take control of the assets held in a trust fund described in section 4.1-58-45, or take any combination of these actions as the commissioner deems necessary to begin an orderly liquidation of those trust fund assets as provided in this chapter.

4.1-58-53. Money received by trustee - Deposited in Bank of North Dakota.

All moneys collected and received by the commissioner as trustee under this chapter, pending the marshalling of the fund, must be deposited in the Bank of North Dakota.

4.1-58-54. Report of trustee - Approval - Distribution.

1. Upon the receipt and evaluation of claims, the commissioner shall file a report showing the amount and validity of each claim after recognizing relevant:
 - a. Liens or pledges;
 - b. Assignments;
 - c. Deductions due to advances or offsets accrued for the licensee;
 - d. Cash claims or checks;
 - e. Credit-sale contracts or noncredit-sale contract; and
 - f. The amount remaining to be paid based on the terms of the contract.
2. The report also must contain the proposed reimbursement to the commissioner for the expenses of administering the insolvency, the proposed distribution of the trust fund assets to receiptholders, less expenses incurred by the commissioner in the administration of the insolvency, and the proposed credit-sale contract indemnity fund payments to credit-sale contract claimants. If the trust fund is insufficient to redeem all receiptholder claims in full, the report should list the funds as prorated.

3. The commissioner shall set a hearing and the appropriate notice for interested persons to show cause why the commissioner's report should not be approved and distribution of the trust fund be made as proposed. Copies of the report and notice of hearing must be served by the commissioner by certified mail upon the licensee and the surety and by ordinary mail upon all persons having claims filed with the commissioner.
4. An aggrieved person having an objection to the commissioner's report shall file the objection with the commissioner and serve copies on the commissioner, the licensee, and the surety at least twenty days before the hearing. Failure to file and serve objections in the time set is a waiver of the objection.
5. Following the hearing, the commissioner shall approve or modify the report and issue an order directing payment of the necessary bond proceeds, distribution of the trust fund, payments from the credit-sale contract indemnity fund, and discharge of the commissioner from the commissioner's trust.
6. If an aggrieved person still has objection with the commissioner's report after hearing the person may appeal to district court.

4.1-58-55. Filing fees and court costs - Expenses.

1. In any action in a state court in this state, the commissioner may not be required to pay any filing fee or other court costs or disbursements if the fees accrue to the county or to the state.
2. The attorney general may employ outside legal services to assist the commissioner in the prosecution of such action as in the attorney general's judgment may be necessary and the commissioner shall deduct the expenses of the legal services from the trust fund and the credit-sale contract indemnity fund as appropriate.
3. All other necessary expenses incurred by the commissioner in carrying out this chapter, including adequate insurance to protect the commissioner, the commissioner's employees, and others engaged in carrying out this chapter, must be reimbursed to the commissioner from the trust fund and credit-sale indemnity funds as appropriate.

4.1-58-56. Violations of chapter - Criminal penalty - Civil penalty.

1. A person violating a provision of this chapter or a rule adopted pursuant to this chapter, if punishment is not specifically provided for, is:
 - a. Guilty of an infraction; and
 - b. Subject to a civil penalty in an amount not to exceed five thousand dollars for each violation.
2. The civil penalty may be adjudicated by the agriculture commissioner through an administrative hearing or by a court in an appeal of an administrative hearing.

⁶⁰ **SECTION 2.** Chapter 4.1-59 of the North Dakota Century Code is created and enacted as follows:

4.1-59-01. Definitions.

In this chapter, unless the context or subject matter otherwise requires:

1. "Credit-sale contract" means a written contract for the sale of grain pursuant to which the sale price is to be paid or may be paid more than thirty days after the delivery or release of the grain for sale and which contains the notice provided in section 4.1-59-13. If a part of the sale price of a contract for the sale of grain is to be paid or may be paid more than thirty days after the delivery or release of the grain for sale, only that part of the contract is a credit-sale contract.
2. "Deferred-payment contract" means a credit-sale contract for which the amount owed for the sale of grain has been established, but the payment is postponed until a later date.
3. "Facility" means a structure in which grain purchased by a grain buyer is received or held.
4. "Grain" means wheat, durum, oats, rye, barley, buckwheat, flaxseed, speltz, safflower, sunflower seeds, tame mustard, peas, beans, soybeans, corn, clover, millet, alfalfa, and any other commercially grown grain or grass seed. "Grain" does not include grain or grass seeds owned by or in the possession of the grain buyer which have been cleaned, processed, and specifically identified for an intended use of planting for reproduction and for which a warehouse receipt has not been issued.
5. "Grain broker" means a person that:
 - a. Is involved in the negotiation of grain transactions in the state;
 - b. Receives compensation from at least one party to the transaction; and
 - c. Does not take title to the grain and is not under any financial or contractual obligation related to the transaction.
6. "Grain buyer" means a person, other than a public warehouseman as defined in chapter 4.1-58, which purchases or otherwise merchandises grain for compensation. The term includes a roving grain buyer, grain broker, and grain processor. The term does not include:
 - a. A producer of grain that purchases grain from other grain producers to complete a carload or truckload in which the greater portion of the load is grain grown by the purchasing producer or used by the purchasing producer for on-farm feedlot operations in which at least fifty percent of the livestock is owned by the owner of the farm.
 - b. A person permitted to sell seed under chapter 4.1-53, if that person buys grain only for processing and subsequent resale as seed.

⁶⁰ Section 4.1-59-09 was amended by section 13 of Senate Bill No. 2096, chapter 80.

- c. A person that is an authorized dealer or agent of a seed company holding a permit in accordance with section 4.1-53-38.
7. "Grain processor" means an entity that purchases grain to process into end products of a substantially different makeup or nature than the original grain.
8. "Noncredit-sale contract" means a contract for the sale of grain other than a credit-sale contract.
9. "Receipts" means scale tickets, checks, or other memoranda given by a grain buyer for, or as evidence of, the receipt or sale of grain except when the memoranda was received as a result of a credit-sale contract.
10. "Roving grain buyer" means a grain buyer that does not operate a facility where grain is received.

4.1-59-02. Duties of the commissioner.

The commissioner shall:

1. Exercise general supervision of grain buyers of this state.
2. Investigate all complaints of fraud and injustice, unfair practices, and unfair discrimination.
3. Examine and inspect, during ordinary business hours, any books, documents, and records.
4. Make all proper rules for carrying out and enforcing any law in this state regarding grain buyers.

4.1-59-03. Commissioner's authority - Grain buyer - Trust assets.

Upon the commissioner's determination continued operation of a grain buyer is likely to result in probable loss of assets to receiptholders, the commissioner may immediately suspend, close, or take control of the assets held in a trust fund described in section 4.1-59-22, or take any combination of these actions as the commissioner deems necessary to begin an orderly liquidation of those trust fund assets as provided in this chapter.

4.1-59-04. Federal licensed inspector and employees.

The commissioner may employ a federal licensed inspector and other employees as necessary to carry out this chapter.

4.1-59-05. Grain marketing - Procedure for resolving disputes.

1. If a dispute or disagreement arises between the person receiving and the person delivering grain as to the proper grade, dockage, vomitoxin level, moisture content, or protein content of any grain, an average sample of at least three pints [1.65 liters] of the grain in dispute may be taken together by both interested parties.
 - a. The sample must be certified by each party as a true and representative sample of the grain in dispute on the day the grain was transferred.

- b. The sample must be forwarded in a suitable container by parcel post or express, prepaid with the name and address of both parties for inspection by a federal licensed inspector, or a mutually agreed-upon third party, that may examine the grain and adjudge what grade, dockage, vomitoxin level, moisture content, or protein content the sample of grain is entitled to under the inspection rules and grades adopted by the secretary of agriculture of the United States.
 - c. The person requesting the inspection service shall pay for the inspection.
 - d. If the grain in question is damp, otherwise out of condition, or if moisture content is in dispute, the sample must be placed in an airtight container.
 - e. Payment for the grain involved in the dispute must be made and accepted on the basis of the determination made by the federal licensed inspector or third party. All quality factors also may be considered in determining the price of the grain.
 - f. An appeal of the determination made by a third party other than a federal licensed inspector may be made to a federal licensed inspector.
 - g. An appeal of the determination made by a federal licensed inspector may be made as provided under the United States Grain Standards Act [Pub. L. 103-354; 108 Stat. 3237; 7 U.S.C. 79(c) and (d)] and under 7 CFR 800.125-800.140.
 - h. A person not abiding by a final determination is liable for damage resulting from not abiding by the determination.
2. If a dispute or disagreement arises between the person delivering grain and the person receiving grain as to the determination of quality factors of grain purchased or delivered in the state for which inspection rules and grades have not been adopted by the secretary of agriculture of the United States, an average sample of at least three pints [1.65 liters] of the grain in dispute may be taken together by the interested parties.
- a. The sample must be certified by each party as a true and representative sample of the grain in dispute on the day the grain was transferred.
 - b. If the grain is damp or otherwise out of condition, the sample must be placed in an airtight container.
 - c. The sample must be forwarded in a suitable container by parcel post or express, prepaid with the name and address of both parties, for inspection by a federal licensed inspector, or a mutually agreed-upon third party, that may examine the grain and determine the quality factors in dispute.
 - d. The person requesting the inspection service shall pay for the inspection.
 - e. The determination made by the inspector, or the third party, must be used in the settlement of the dispute.

4.1-59-06. Release of records - Confidentiality.

1. As a condition of licensure, an applicant shall agree to provide the commissioner, upon request, any financial record the commissioner deems relevant for purposes related to:
 - a. The issuance or renewal of a grain buyer license; or
 - b. An investigation after issuance or renewal of a grain buyer license.
2. As a condition of licensure, an applicant shall file a records release with the commissioner, authorizing the commissioner to obtain from any source any financial record the commissioner deems relevant for purposes related to:
 - a. The issuance or renewal of a grain buyer license; or
 - b. An investigation after issuance or renewal of a grain buyer license.
3. Information obtained by the commissioner under this section is confidential and may be provided only:
 - a. To federal authorities in accordance with federal law;
 - b. To the attorney general, state agencies, and law enforcement agencies for use in the pursuit of official duties; and
 - c. As directed by an order of a court pursuant to a showing of good cause.

4.1-59-07. Grain buyer license - Financial criteria to be met.

1. To be eligible to receive an annual license, an applicant shall submit financial documentation to the commissioner verifying the applicant has satisfactory net worth and working capital, as determined by the commissioner.
2. A licensed grain buyer or an applicant for initial licensure shall report balance sheets and income statements to the commissioner annually on written application for initial licensure or license renewal if the applicant purchased up to ten million dollars worth of grain during the previous licensing period, or intends to purchase up to ten million dollars worth of grain during the first year of operation.
3. As a condition of licensure, an applicant shall provide to the commissioner, upon request, any financial record or bank verification release the commissioner deems relevant for the purpose of verifying the financial information of an applicant under this section.
4. As a condition of licensure, a new applicant must:
 - a. Pass a background check;
 - b. Have a satisfactory credit score, as determined by the commissioner; and
 - c. Be a responsible person with a good business reputation, as determined by the commissioner, that:
 - (1) Is in the grain buying business;

- (2) Has knowledge of, and experience with, generally accepted grain buying and handling practices;
- (3) Is competent and willing to operate as a grain buyer in accordance with state and federal regulations; and
- (4) Has not committed fraud or a criminal offense indicating a lack of business integrity or honesty that undermines the person's responsibility as a grain buyer.

4.1-59-08. Grain buyer license - How obtained - Fee - Penalty.

1. Grain buyers that purchase, solicit, merchandise, or take possession of grain in this state shall obtain an annual license from the commissioner. Except as provided in this section, each license expires on July thirty-first of each year. If a licensee's initial license is issued effective after May thirty-first, that license expires on July thirty-first of the following year. The annual license fee for a grain buyer is:
 - a. Four hundred dollars for a grain buyer that purchased up to one million dollars worth of grain during the previous licensing period, or intends to purchase up to one million dollars worth of grain during the first year of operation;
 - b. Eight hundred dollars for a grain buyer that purchased more than one million dollars worth of grain but not more than ten million dollars worth of grain during the previous licensing period, or intends to purchase more than one million dollars worth of grain but not more than ten million dollars worth of grain during the first year of operation; and
 - c. One thousand two hundred dollars for a grain buyer that purchased more than ten million dollars worth of grain during the previous licensing period, or intends to purchase more than ten million dollars worth of grain during the first year of operation.
2. A license renewal application received after July fifteenth must be assessed an additional one hundred dollar fee per receiving location.
3. A license issued under this section is not transferable.
4. The commissioner may refuse to issue or renew or may revoke a license:
 - a. If the licensee or applicant has been convicted of a criminal offense;
 - b. If the licensee or applicant has failed to comply with the requirements of this section;
 - c. If the commissioner has evidence the licensee negotiated in bad faith; or
 - d. For any other reason as determined by the commissioner.
5. A licensed grain buyer shall submit a monthly report to the commissioner by the tenth day of each month. The report must include the total value of each commodity brokered in the preceding month.

6. A licensed grain buyer shall notify each potential commodity seller of the identity of the potential commodity buyer before the final confirmation of the transaction.
7. Before a license is effective for a grain buyer, the licensee or applicant shall file a bond with the commissioner for not less than one hundred thousand dollars.
8. A grain buyer must have the buyer's license in possession at all times.
9. A grain buyer that transacts business without first procuring a license and giving a bond is guilty of a class B misdemeanor.

4.1-59-09. Bond filed by grain buyer.

1. Before a license is effective for a grain buyer under this chapter, the applicant for the license shall file a bond with the commissioner which must:
 - a. Be in a sum not less than one hundred thousand dollars.
 - b. Be continuous, unless the corporate surety by certified mail notifies the licensee and the commissioner the surety bond will be canceled ninety days after receipt of the notice of cancellation.
 - c. Run to this state for the benefit of all persons selling grain to or through the grain buyer.
 - d. Be conditioned:
 - (1) For the faithful performance of the licensee's duties as a grain buyer.
 - (2) For compliance with the provisions of law and the rules of the commissioner relating to the purchase of grain by the commissioner monthly.
2. The surety on the bond must be a corporate surety company, approved by the commissioner and authorized to do business within the state. The commissioner may accept cash, a negotiable instrument, or a bond executed by personal sureties in lieu of a surety bond when, in the commissioner's judgment, cash, a negotiable instrument, or a personal surety bond properly will protect the holders of outstanding receipts.

4.1-59-10. Bond discount.

1. The licensee may request a bond reduction based upon the licensee's payment policy.
 - a. The required bond is reduced by thirty percent for a licensee that establishes and follows a payment policy approved by the commissioner of ten days or fewer.
 - b. The required bond is reduced by fifteen percent for a licensee that establishes and follows a payment policy approved by the commissioner of eleven to twenty-one days.

2. A reduction under this section may not be used to reduce required bond below the minimum bond set by law.

4.1-59-11. Bond cancellation - Release of surety.

The surety on a bond is released from all future liability accruing on the bond after the expiration of ninety days from the date of receipt by the commissioner of notice of cancellation by the surety or on a later date specified by the surety. This provision does not operate to relieve, release, or discharge the surety from any liability already accrued or which accrues before the expiration of the ninety-day period. Unless the grain buyer files a new bond at least thirty days before liability ceases, the commissioner, without hearing, immediately shall suspend the grain buyer's license and the suspension may not be removed until a new bond has been filed and approved by the commissioner.

4.1-59-12. Revocation and suspension.

The commissioner may suspend or revoke the license of a grain buyer for cause upon notice and hearing. Notwithstanding any other provision of this chapter, the commissioner shall suspend the license of a grain buyer for failure at any time to maintain a bond.

4.1-59-13. Scale ticket - Contents.

Every grain buyer, upon receiving grain, shall issue a uniform scale ticket or comparable receipt for each load of grain received. Receipts must be numbered consecutively and one copy of each receipt must be retained and remain as a permanent record. The original receipt must be delivered to the person from which the grain is received, upon each load of grain.

4.1-59-14. Credit-sale contracts.

1. A grain buyer may not purchase grain by a credit-sale contract except as provided in this section. All credit-sale contracts must be in writing and must be consecutively numbered when printing the contract. The grain buyer shall maintain an accurate record of all credit-sale contract numbers, including the disposition of each numbered form, whether by execution, destruction, or otherwise. Each credit-sale contract must include:
 - a. The seller's name and address.
 - b. The conditions of delivery.
 - c. The amount and kind of grain delivered.
 - d. The price per unit or basis of value.
 - e. The date payment is to be made.
 - f. The duration of the credit-sale contract.
 - g. Notice in a clear and prominent manner that the sale is not protected by the bond coverage provided for in section 4.1-59-09. However, if the grain buyer has obtained bond coverage in addition to that required by section 4.1-59-09 and the coverage extends to the benefit of credit-sale contracts, the grain buyer may state that fact in the credit-sale contract along with the extent of the coverage.

2. The contract must be signed by both parties and executed in duplicate. An electronic signature satisfies this requirement. A holder of an unsigned contract is not eligible for any protection provided by chapter 4.1-62. The grain buyer shall retain one copy and deliver one copy to the seller. Upon revocation, termination, or cancellation of a grain buyer's license, the payment date for all credit-sale contracts, at the seller's option, must be advanced to a date not later than thirty days after the effective date of the revocation, termination, or cancellation, and the purchase price for all unpriced grain must be determined as of the effective date of revocation, termination, or cancellation in accordance with all other provisions of the contract.
3. A buyer that offers deferred-payment contracts shall inform producers of bond protection.

4.1-59-15. Discrimination by grain buyer prohibited.

1. A grain buyer may not discriminate:
 - a. In the buying, selling, receiving, and handling of grain or in the charges made or the service rendered to owners of purchased grain;
 - b. In the receiving of grain offered for sale, but this chapter does not require a processor to receive or purchase any lot or kinds of grain;
 - c. In regard to the persons offering grain for sale; or
 - d. Between points or stations except as the marketing factors or transportation costs or grain quality premiums may warrant.
2. A grain buyer is not required to receive any grain that is heating or otherwise out of condition.

4.1-59-16. Records required to be kept by grain buyers.

A grain buyer shall keep such accounts, records, and memoranda concerning the buyer's dealing as the grain buyer as may be required by the commissioner and shall make any reports of purchases of grain as may be required by the rules adopted by the commissioner. The commissioner at all times must have access to the accounts, records, and memoranda.

4.1-59-17. Reports to be made by grain buyers - Penalty for failure - Confidential records.

1. Each licensed and bonded grain buyer shall:
 - a. Prepare for each month a report giving facts and information called for on the form of report prepared by the commissioner.
 - (1) The report must contain or be verified by a written declaration the report is made under the penalties of perjury.
 - (2) The report may be called for more frequently if the commissioner deems necessary.
 - (3) Information pertaining to the value of grain handled is a confidential trade secret and is not a public record. The commissioner may make

this information available for use by other governmental entities, but the information may not be released by those entities in a manner that jeopardizes the confidentiality of individual licensees.

- b. File the report with the commissioner not later than the last day of the following month. Failure to file this report promptly is cause for revoking the grain buyer license after due notice and hearing.
 - c. Keep a separate account of the grain business. If the grain buyer is engaged in handling or selling any other commodity, the grain account and other accounts may not be mixed.
 - d. Submit additional information requested by the commissioner pursuant to a report or an inspection within five business days.
2. The commissioner may refuse to renew a license to any grain buyer that fails to make a required report.

4.1-59-18. Standard weights to be used - Exception.

A person purchasing grain may not use any measure for the grain other than the standard bushel, and a number of pounds may not be used or called a bushel other than the number of pounds provided by law as the standard weight of the kind of grain in question, except that during the months of October and November, not exceeding eighty-two pounds [37.19 kilograms], and during the months of December and January, not exceeding seventy-six pounds [34.47 kilograms], may be used as the standard weight per bushel of new ear corn.

4.1-59-19. Federal grades to control - Grades to be posted.

1. A grain buyer shall purchase grain, except dry edible beans, in accordance with the official grades established by the secretary of agriculture of the United States, except as otherwise provided in applicable rules and regulations adopted by federal officials pursuant to law.
2. A grain buyer of dry edible beans shall purchase and deliver beans in accordance with the buyer's policy, which must be filed with the commissioner and, if applicable, posted in a conspicuous place in the buyer's facility.
3. Other grading standards may be used if mutually agreed to in writing by the grain buyer and the owner of the grain. However, the owner may demand the use of federal grading standards.
4. After hearing, the commissioner may prohibit the use of nonfederal grades.

4.1-59-20. Grading of grain - Penalty.

A grain buyer, before testing for grade any grain handled by the grain buyer, shall remove and make due allowance for any dockage of the grain made by reason of the presence of straw, weed seeds, dirt, or any other foreign matter. A grain buyer that violates this provision is guilty of a class B misdemeanor.

4.1-59-21. Insolvency of grain buyer.

A licensee is insolvent when the licensee refuses, neglects, or is unable upon proper written demand, including electronic communication, to pay for grain

purchased or marketed by the licensee or is unable to make redelivery upon proper written demand, including electronic communication. The licensee may not assess receiving or redelivery fees on grain.

4.1-59-22. Trust fund established - Trustee.

1. Upon the insolvency of a licensee, a trust fund must be established for the benefit of noncredit-sale receiptholders and to pay the costs incurred by the commissioner in the administration of the insolvency. The trust fund consists of the following:
 - a. Nonwarehouse receipt grain of the insolvent licensee held in storage or the proceeds obtained from the conversion of the grain.
 - b. The proceeds, including accounts receivable, from any grain sold from the time of the filing of the claim that precipitated an insolvency until the commissioner is appointed trustee must be remitted to the commissioner and included in the trust fund.
 - c. The proceeds of insurance policies on destroyed grain.
 - d. The claims for relief, and proceeds from the claims for relief, for damages upon bond given by the licensee to ensure faithful performance of the duties of a licensee.
 - e. The claim for relief, and proceeds from the claim for relief, for the conversion of any grain stored in the warehouse.
 - f. Unencumbered accounts receivable for grain sold before the filing of the claim that precipitated an insolvency.
 - g. Unencumbered equity in grain hedging accounts.
 - h. Unencumbered grain product assets.
2. Upon the insolvency of a grain buyer, the commissioner shall act as trustee of the trust fund.
3. All funds received by the commissioner as trustee must be deposited in the Bank of North Dakota.

4.1-59-23. Joinder of surety - Deposit of proceeds.

Each surety on the insolvent licensee's bonds must be joined as a party to the insolvency proceeding. If it is in the best interests of the receiptholders, the court may order a surety to deposit some or all of the penal sum of the bond into the trustee's trust account pending determination of the surety's liability under the bond.

4.1-59-24. Joinder - Grain broker.

A licensed grain broker may be joined as a party to an insolvency proceeding if the commissioner determines the grain broker negotiated a grain transaction with an insolvent grain buyer or which was discriminatory, predatory, or in bad faith.

4.1-59-25. Notice to receiptholders and credit-sale contract claimants.

1. Upon the commissioner's appointment, the commissioner may take possession of relevant books and records of the licensee.
2. If the insolvency involves a roving grain buyer, the commissioner shall publish a notice of the commissioner's appointment once each week for two consecutive weeks in all daily newspapers in the state and may notify, by ordinary mail, the holders of record of outstanding receipts and those that are potential credit-sale contract claimants, disclosed by the licensee's records.
3. If the insolvency involves a grain processor, the notice must be published once each week for two consecutive weeks in a newspaper in the county in which the facility is located.
4. The notice must require outstanding receiptholders and credit-sale contract claimants to file claims with the commissioner along with the receipts, contracts, or other evidence of the claims required by the commissioner.
5. If an outstanding receiptholder or credit-sale contract claimant fails to submit a claim within forty-five days after the last publication of the notice or a longer time set by the commissioner, the commissioner is relieved of further duty in the administration of the insolvency on behalf of the receiptholder or credit-sale contract claimant and the receiptholder may be barred from participation in the trust fund, and the credit-sale contract claimant may be barred from payment for any amount due.
6. Outstanding receiptholders and credit-sale contract claimants are not parties to the insolvency action unless admitted by the court upon a motion for intervention.

4.1-59-26. Remedy of receiptholders.

A receiptholder does not have a separate claim for relief upon any insolvent licensee's bond, for insurance, against any person converting grain, nor against any other receiptholder, except through the trustee, unless, upon demand of five or more receiptholders, the commissioner fails or refuses to apply for the commissioner's own appointment or unless the district court denies the application. This chapter does not prohibit a receiptholder, either individually or with other receiptholders, from pursuing concurrently any other remedy against the person or property of the licensee.

4.1-59-27. Commissioner to marshal trust assets.

Upon the commissioner's appointment, the commissioner shall marshal all trust fund assets. The commissioner may maintain suits in the name of the state of North Dakota for the benefit of all receiptholders against the licensee's bonds, insurers of grain, any person that may have converted any grain, and any person that may have received preferential treatment by being paid by the insolvent licensee after the first default.

4.1-59-28. Power of commissioner to prosecute or compromise claims.

The commissioner may:

1. Prosecute an action provided in sections 4.1-59-21 through 4.1-59-31 in any court in this state or in any other state.
2. Appeal from an adverse judgment to the courts of last resort.

3. Settle and compromise an action if it will be in the best interests of the receiptholders.
4. Settle and compromise an action if it is in the best interests of the credit-sale contract claimants.
5. Upon payment of the amount of any settlement or of the full amount of any bond, exonerate the person so paying from further liability growing out of the action.

4.1-59-29. Report of trustee - Approval - Distribution.

1. Upon the receipt and evaluation of claims, the commissioner shall file a report showing the amount and validity of each claim after recognizing:
 - a. Relevant liens or pledges.
 - b. Relevant assignments.
 - c. Relevant deductions due to advances or offsets accrued in favor of the licensee.
 - d. Relevant cash claims or checks, the amount of the claim.
 - e. Relevant credit-sale contract or noncredit-sale contract, the amount remaining to be paid based on the terms of the contract.
2. The report also must contain the proposed reimbursement to the commissioner for the expenses of administering the insolvency, the proposed distribution of the trust fund assets to receiptholders, less expenses incurred by the commissioner in the administration of the insolvency, and the proposed credit-sale contract indemnity fund payments to credit-sale contract claimants. If the trust fund is insufficient to redeem all receiptholder claims in full, the report must list the funds as prorated.
3. The commissioner shall set a hearing and the appropriate notice for interested persons to show cause why the commissioner's report should not be approved and distribution of the trust fund be made as proposed. The commissioner shall serve copies of the report and notice of hearing by certified mail upon the licensee and the surety and by ordinary mail upon all persons having claims filed with the commissioner.
4. An aggrieved person having an objection to the commissioner's report shall file the objection with the commissioner and serve copies on the commissioner, the licensee, and the surety at least twenty days before the hearing. Failure to file and serve objections in the time set is a waiver of the objection.
5. Following the hearing, the commissioner shall approve or modify the report and issue an order directing payment of the necessary bond proceeds, distribution of the trust fund, payments from the credit-sale contract indemnity fund, and discharge of the commissioner from the commissioner's trust.
6. If an aggrieved person still has objection with commissioner's report after hearing the person may appeal to district court.

4.1-59-30. Filing fees and court costs - Expenses.

1. The commissioner may not be required to pay any filing fee or other court costs or disbursements.
2. The attorney general may appoint outside legal counsel to assist the commissioner in the prosecution of the action and the cost of employing outside counsel must be paid from the trust fund and the credit-sale contract indemnity fund as appropriate.
3. All other necessary expenses incurred by the commissioner in carrying out this chapter, including adequate insurance to protect the commissioner, the commissioner's employees, and others engaged in carrying out sections 4.1-59-21 through 4.1-59-31, must be reimbursed to the commissioner from the trust fund and credit-sale contract indemnity funds as appropriate.

4.1-59-31. Cease and desist.

If a person engages in an activity or practice contrary to the provisions of this chapter or related rules, the commissioner, upon the commissioner's own motion without complaint, with or without hearing, may order the person to cease and desist from the activity until further order of the commissioner. An order may include any corrective action up to and including license suspensions. A cease and desist order must be accompanied by a notice of opportunity to be heard on the order within fifteen days of the issuance of the order.

4.1-59-32. Agricultural contracts - Mediation and arbitration.

If a written contract for the sale of grain does not contain provisions to settle disagreements concerning factors not governed by section 4.1-59-04, the parties shall attempt to resolve the disagreements through mediation or arbitration.

4.1-59-33. Roving grain buyers - Exception - Applicability of provisions.

Notwithstanding any other law, this chapter does not apply to any person that purchases, solicits, or merchandises grain, that has been cleaned, processed, and made ready for consumption, from a public warehouseman licensed and bonded under chapter 4.1-58. If the person engages in any activity other than those described in this section, the person is subject to the law governing those other activities.

4.1-59-34. Violations of chapter - Criminal penalty - Civil penalty.

1. A person violating a provision of this chapter or a rule adopted pursuant to this chapter, if punishment is not specifically provided for, is:
 - a. Guilty of an infraction; and
 - b. Subject to a civil penalty in an amount not to exceed five thousand dollars for each violation.
2. The civil penalty may be adjudicated by a court or by the agriculture commissioner through an administrative hearing.

SECTION 3. Chapter 4.1-61 of the North Dakota Century Code is created and enacted as follows:

4.1-61-01. Public elevators and warehouses - Commissioner may require uniform accounting system.

The commissioner may require every association, copartnership, corporation, or limited liability company conducting a public elevator or warehouse in this state to adopt a uniform accounting system established by the commissioner.

4.1-61-02. Examination of financial accounts of elevator or warehouse by competent examiner - Request by percentage of stockholders.

The commissioner may install, and if requested by not less than fifteen percent of the partners, stockholders, or members of any association, copartnership, corporation, or limited liability company conducting the public elevator or warehouse, shall install, the uniform system of accounting provided for in section 4.1-61-01. The commissioner on the commissioner's own motion may, or on request of the required percentage of partners, stockholders, or members, the commissioner shall, send a competent examiner to examine the books and financial accounts of the elevator or warehouse. If a request for the examination of the accounts of any association, copartnership, corporation, or limited liability company has been made to the commissioner, as provided for in this section, subsequent examinations must be made at least once every year until the commissioner is requested to discontinue the examination by resolution adopted by the partners, stockholders, or members at any annual meeting. If the examination has been made, the examiner shall report immediately the results of the examination to the president and the secretary of the association, copartnership, corporation, or limited liability company and to the commissioner.

4.1-61-03. Certificate issued by commissioner after examination of accounts.

1. If the commissioner is satisfied from the commissioner's examination that the association, copartnership, corporation, or limited liability company examined is solvent and the method of doing business is likely to be beneficial to all its members or persons interested therein, the commissioner shall issue a certificate, countersigned by the examiner, to the agent or manager. The certificate must be kept posted conspicuously in the warehouse or elevator of the association, copartnership, corporation, or limited liability company and must state:
 - a. That the methods of doing business are sound.
 - b. That the association, copartnership, corporation, or limited liability company is solvent.
 - c. That its books and accounts are kept properly.
2. If the affairs and methods of doing business of the association, copartnership, corporation, or limited liability company do not seem sound or satisfactory to the commissioner, the commissioner shall issue a certificate or statement, countersigned by the person that made the examination, stating in what particular and in what respect the business methods practiced or methods of keeping books and accounts of the association, copartnership, corporation, or limited liability company are not deemed safe. The commissioner shall mail a copy of the statement or certificate to each of the shareholders or stockholders as may have requested the commissioner to make the examination. The commissioner also shall send a copy to the president and

the secretary of the association, copartnership, corporation, or limited liability company.

4.1-61-04. Fees of examiner for installing and examining accounting system.

For installing a uniform accounting system and examining the financial accounts of an elevator or public warehouse, an association, copartnership, corporation, or limited liability company shall pay the examiner a reasonable fee, as determined by the commissioner. If an association, copartnership, corporation, or limited liability company wrongfully refuses or neglects to pay the fees, the commissioner may cancel the license to do business. All fees must be paid into the state treasury. The expenses incurred by the examiner under this chapter must be paid out of the appropriations made by the legislative assembly for this purpose and the expenses must be audited and paid in the same manner as other expenses are audited and paid.

SECTION 4. Chapter 4.1-62 of the North Dakota Century Code is created and enacted as follows:

4.1-62-01. Credit-sale contracts - Assessment on grain - Submission of assessment.

An assessment at the rate of two-tenths of one percent is placed on the value of all grain sold in this state under a credit-sale contract, as provided for in sections 4.1-58-17 and 4.1-59-13. The licensee purchasing the grain shall note the assessment on the contract required under sections 4.1-58-21 and 4.1-59-14 and shall deduct the assessment from the purchase price payable to the seller. The licensee shall submit any assessment collected under this section to the commissioner no later than thirty days after each calendar quarter. The commissioner shall deposit the assessments received under this section in the credit-sale contract indemnity fund.

4.1-62-02. Credit-sale contract indemnity fund - Creation - Continuing appropriation.

There is created in the state treasury the credit-sale contract indemnity fund. The state treasurer shall invest available moneys in the fund in accordance with section 21-10-07 and in cooperation with the commissioner shall deposit any income earned through the investments into the fund. The fund and earnings of the fund are appropriated to the commissioner on a continuing basis to be used exclusively to carry out the intent and purpose of this chapter.

4.1-62-03. Credit-sale contract indemnity fund - Suspension of assessment.

At the end of the calendar quarter in which the credit-sale contract indemnity fund reaches a level of six million dollars, the commissioner shall suspend collection of the assessment required by this chapter. If after suspension of collection the balance in the fund is less than three million dollars, the commissioner shall require collection of the assessment.

4.1-62-04. Credit-sale contract indemnity fund - Eligibility for reimbursement.

A person is eligible to receive indemnity payments from the credit-sale contract indemnity fund if:

1. After August 1, 2003, the person sold grain to a licensed warehouse or a grain buyer in this state under a credit-sale contract;
2. The licensed warehouse to which the person sold grain or the grain buyer to which the person sold grain becomes insolvent; and
3. The licensed warehouse or the grain buyer, as a result of the insolvency, does not fully compensate the person in accordance with the credit-sale contract.

4.1-62-05. Credit-sale contract indemnity fund - Availability of money.

Upon the insolvency of a licensed warehouse or a grain buyer and a declaration the commissioner serve as the trustee, the commissioner shall make the proceeds of the credit-sale contract indemnity fund available for use in meeting the licensee's obligations with respect to the reimbursement of a person that sold grain to the licensee under a credit-sale contract and who was not fully compensated in accordance with the contract.

4.1-62-06. Credit-sale contract indemnity fund - Reimbursement limit.

The amount payable to an eligible person from the credit-sale contract indemnity fund for each insolvency may not exceed the lesser of eighty percent of the amount owed to that eligible person in accordance with all of that person's unsatisfied credit-sale contracts or two hundred eighty thousand dollars.

4.1-62-07. Credit-sale contract indemnity fund - Prorated claims.

If claims for indemnity payments from the credit-sale contract indemnity fund exceed the amount in the fund, the commissioner shall prorate the claims and pay the prorated amounts. As future assessments are collected, the commissioner shall continue to forward indemnity payments to each eligible person until the person receives the maximum amount payable in accordance with this chapter.

4.1-62-08. Reimbursement for later insolvencies.

The commissioner shall ensure all persons eligible for payment from the indemnity fund as a result of an insolvency are fully compensated to the extent permitted by this chapter before any payments from the indemnity fund are initiated as a result of a later insolvency. The chronological order of insolvencies is determined by the date the commissioner is appointed trustee under section 4.1-58-40 or 4.1-59-21.

4.1-62-09. Credit-sale contract indemnity fund - Reimbursement for administrative expenses.

Any expense incurred by the commissioner in administrating the credit-sale contract indemnity must be reimbursed from the fund before any other claim for indemnity is paid.

4.1-62-10. Credit-sale contract indemnity fund assessment - Failure to collect assessment - Penalty.

A person that knowingly or intentionally refuses or fails to collect the assessment required under this chapter from producers or to submit any assessment collected from producers to the commissioner for deposit in the credit-sale contract indemnity fund is guilty of a class A misdemeanor.

4.1-62-11. Revocation and suspension.

The commissioner may suspend or revoke the license of a licensee for cause upon notice and hearing for violation of this chapter.

4.1-62-12. Cease and desist.

If a person engages in an activity or practice contrary to this chapter or rules adopted by the commissioner, the commissioner, upon the commissioner's own motion without complaint and with or without a hearing, may order the person to cease and desist from the activity until further order of the commissioner. The order may include any corrective action up to and including license suspension. A cease and desist order must be accompanied by a notice of opportunity to be heard on the order within fifteen days of the issuance of the order.

4.1-62-13. Claims.

A claim concerning a grain buyer must be administered in a manner consistent with chapter 4.1-59. A claim concerning a state licensed grain warehouse must be administered in a manner consistent with chapter 4.1-58. A payment may not be made from the credit-sale contract indemnity fund for a claim based on losses resulting from the sale of grain to a person not licensed under chapter 4.1-58, chapter 4.1-59, or the United States Warehouse Act [Pub. L. 106-472; 114 Stat. 2061; 7 U.S.C. 241 et seq.].

4.1-62-14. Subrogation.

Money paid from the credit-sale contract indemnity fund in satisfaction of a valid claim constitutes a debt obligation of the person against which the claim was made. The commissioner may take action on behalf of the fund against a person to recover the amount of payment made, plus costs and attorney's fees. Recovery for reimbursement to the fund must include interest computed at the weight average prime rate charged by the Bank of North Dakota. Upon payment of a claim from the credit-sale contract indemnity fund, the claimant shall subrogate the interest of the claimant, if any, to the commissioner in a cause of action against all parties, to the amount of the loss that the claimant was reimbursed by the fund.

4.1-62-15. Roving grain buyers - Exception - Applicability of provisions.

Notwithstanding any other law, this chapter does not apply to a person that purchases, solicits, or merchandises grain, that has been cleaned, processed, and made ready for consumption, from a public warehouseman licensed and bonded under chapter 4.1-58. If the person engages in any activity other than those described in this section, the person is subject to the law governing those other activities.

SECTION 5. AMENDMENT. Subsection 4 of section 41-07-10 of the North Dakota Century Code is amended and reenacted as follows:

4. This section does not modify or repeal chapter 60-024.1-58.

SECTION 6. AMENDMENT. Section 51-23-04 of the North Dakota Century Code is amended and reenacted as follows:

51-23-04. Exempt person transactions.

1. The prohibitions in section 51-23-03 do not apply to any transaction offered by and in which any of the following persons or any employee, officer, or director thereof acting solely in that capacity is the purchaser or seller:

1. a. A person registered with the commodity futures trading commission as a futures commission merchant or as a leverage transaction merchant whose activities require such registration.
2. b. A person registered with the securities and exchange commission as a broker-dealer whose activities require such registration.
3. c. A person affiliated with, and whose obligations and liabilities under the transaction are guaranteed by, a person referred to in ~~subsection 1~~subdivision a or 2b.
4. d. A person who is a member of a contract market designated by the commodity futures trading commission or any clearinghouse thereof.
5. e. A financial institution.
6. f. A person registered under the laws of this state as a securities dealer whose activities require such registration.
7. g. A public warehouseman as defined in section ~~60-02-014.1-58-01.~~
2. The exemption provided by this section does not apply to any transaction or activity which is prohibited by the Commodity Exchange Act or CFTC rule.

SECTION 7. REPEAL. Chapters 60-02, 60-02.1, 60-04, 60-05, and 60-10 of the North Dakota Century Code are repealed.

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