

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

14417

2001 HOUSE AGRICULTURE

HB 1417

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1417

House Agriculture Committee

Conference Committee

Hearing Date HB 1417

Tape Number	Side A	Side B	Meter #
THREE	A		880 TO 4991
Committee Clerk Signature <i>Edward D. Hyman</i>			

Minutes:

CHAIRMAN NICHOLAS: WE WILL OPEN THE HEARING ON HB 1417:

REPRESENTATIVE KEMPENICH: I am here today introducing hb 1417, which is a bill that I think has been needed for quite a while. Gives some direction as to what we need to do in the cattle industry. Try to get closer to the consumer dollars. It does give the industrial commission to issue bonds to build a meat packing plant. Futuristic thinking.

CHAIRMAN NICHOLAS: We will take all testimony before we open to questions.

ROGER JOHNSON: I am here to support this Bill. The state is not responsible for the Bonds. Income from the Bonds would be state exempt from state, municipal taxes. So there would be a slight break for those who would want to invest in these ventures. The state is not liable for bonds.

REPRESENTATIVE LEMIEUX: Roger, dose it bother you at all that the bonds are not guaranteed. Will these bonds be very marketable?

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House Agriculture Committee

Bill/Resolution Number HB ~~1474~~ 1417

Hearing Date 2--8--01

ROGER: Actually, being a member of the state industrial commission, it dose not concern me because it would not be a liability. I think that these bonds will be difficult to market, because of no state liability. None the less it is a tool that should be available for us in subsequent sessions to see how it works. We should go down this road.

CHAIRMAN NICHOLAS: Thank you Roger. Who would like to offer testimony.

T.J.RUSSELL: PRESIDENT OF CLOVERDALE FOODS;

I am glad to be here to testify. I think it comes down to a matter of courage as to hog raising. The state built the first elevator in 1921, think about 1911 what they had for facts to initialize the potential risk for that business. It is still here today and it is still working. For the state not to assume any roll in Agr. Business I just don't see it. There has to be a roll for the state to play. Whether the bonds are backed by the state or guaranteed by the state, whether they build a plant and it is bought back at a purchase plan in the future. Something has to be done. My Dad has been talking about this for 20- years ago and so did my grandfather. Basically Mr. Russell states that risk is part of the future. We have to take risk in the Agr. Business.

Hog production should be well beyond our little plant in Minot. We are at the point now that we are hustling hogs out of Canada like we never have before. We should be spending \$75,000,00 with hog producers in the State of North Dakota. We have a hard time spending \$75,000.00 per week in ND. Someone has to make the move. Some one has to have the courage. I understand that Bill 1051 got tanked, so be it something has to be done.

CHAIRMAN NICHOLAS: What is the one thing that we could do.

RUSSELL: Capital Formation.

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House Agriculture Committee

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Hearing Date 2--8--01

CHAIRMAN NICHOLAS: We have been able to do it for Dakota Growers etc., why are we not able to do it for hogs. Usually if there is something that is profitable someone is willing to take the risk, why not hogs.

RUSSELL: I think that on the hog producing side, that industry has been beating down one to many times. I know what it is like to be in hock. Our company is no different then any other company. We have a 26 percent equity in our company.

CHAIRMAN NICHOLAS: We have the best basis on feed here. We should be very competitive. As to predicting hogs.

RUSSELL: 3/4's of our hogs are coming out of Canada right now.

LEMIEUX: I see the expansion of hog production in Manitoba. What have they done differently?

RUSSELL: Someone else could answer that better then I can.

CHAIRMAN NICHOLAS: Any one else wishing to offer support of 1417.

JOHN GRINFELDER...RANCHER: I currently represent Farm Beau on the Board of Directors of Dakota Beef. Dakota Beef has explored why Dakota Beef Failed and it was a lack of capitalization. We are now in the upswing of the ten year cattle cycle. When people become complacent during good times, we need something in place when economics turn against us.

A packing plant is the vehicle to do something positive. This Bill will make ND, thrive.

The bonds have to be backed by the state. There is very little risk to the state. QUESTIONS

REPRESENTATIVE LEMIEUX: Hog plant or Beef plant?

JOHN: I'd like to see both.

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House Agriculture Committee

Bill/Resolution Number HB ~~1471~~ 1417

Hearing Date 2--8--01

DON NORBY: REPRESENTING DAKOTA HERITAGE BEEF: Small cooperative from North and South Dakota. We just finished running a test market on a premium Beef line in the Bismarck-Mandan and Black Hills area. I am a rancher from SW ND, and have been heavily involved in this business that our group has. The results of our test market is that we were able to receive about 25 percent more than the normal pricing of beef, in this area.

The consumer is willing to pay a premium to get good products. The pitfall was that the processing took all of the 25 percent premium. We did not realize our profit. I am here to support 1417. We want to develop processing closer to home. The main cost that we ran into was affordable processing costs. We tried to find a processing plant to do it the way we wanted. The small plants were the only ones that we could find to do the processing. The large plants were not interested. We need capitalization. Most of our capital is tied up in our own operations. State of ND should make the capital available. I hope that the committee has the courage to pass this bill.

CHAIRMAN NICHOLAS: NEXT TESTIMONY:

WARREN WINIECKIN *[[spelling]]* I am a rancher. We buy cattle and finish the feeding. We do a lot of consulting. Adding profit to my operation is to cut shipping costs. We average thirty five dollars a head to move the cattle. I'd rather take that 35 dollars and invest it in a packing plant. We have high quality cattle. The feed to other states also come from ND. We have the experience to make this work. We do need help as to this Bill. WE have cattle to meet the niche market or table cloth market.

CHAIRMAN NICHOLAS: ANY ADDITIONAL TESTIMONY ON THIS BILL.

RICHARD BOWMAN, DAKOTA PRAIRIE BEEF. We are looking at ways to finish these

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House Agriculture Committee

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Hearing Date 2--8--01

beef. We export our cheap beef and cheap feed. We have a feeder lot in the Gascoyn, ND area. It is very expensive to to build these projects. The only way we can access money is through farmer owned cooperatives. We had to come up with about \$60.00 per head. A packing plant cost in the neighborhood of a million and half, to build. A processing facility we are going to be looking at between 10 and 20 time that amount. It is very prohibitive for most people to participate in that kind of a project. Our operation is about 9000 head of cattle. Within a year or two at this same location we can bump that to 20,000 at the same location without a great deal of more cost. In the state of ND, this would increase potential income to ND.

CHAIRMAN NICHOLAS: What is your basis to your kill plant from your feeder lot?

BOWMAN: Right now I's say we are taking about 530 miles from Ft Morgan and that is where the first cattle went. Those cattle were sold live. They paid all the freight and everything. The bottom line is we took about a cent and a half to two cents under what being paid in NEB, AND WYOMING. On the same day.

NICHOLAS: So your discount to the board basically is a cent and a half plus the freight. Buck and a half discount. The reason that I asked that question committee members is that if you could get board basis here in ND, at a plant plus save the freight plus the other guy pays the freight out for the finished product that is \$25.00 per head.

COMMITTEE MEMBERS I KNOW WE RAN A LITTLE BIT BEHIND TIME:

WE WILL CLOSE ON HB 1471. JA:4991

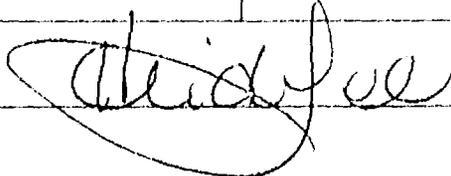
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1417

House Agriculture Committee

Conference Committee

Hearing Date Feb. 8, 2001

Tape Number	Side A	Side B	Meter #
3	X		6.6-48.5
Committee Clerk Signature 			

Minutes:

Rep Keith Kempenich: **Sponsoring Bill.**

Roger Johnson: **Written testimony in support of bill.**

T.J. Russel: *Pres. Cloverdale Foods.* There has to be roll here for the state to play. Hog production needs to be larger, because it's so small we go to Canada. Someone has to make a move. We have the chance, now let's expand .

Don Norby: **Written testimony in support.**

Lauren: We are paying \$35 per head to move cattle to market. If we had a packing plant here we would not have to move to another state for slaughter.

Chairman Nicholas: Close the hearing.

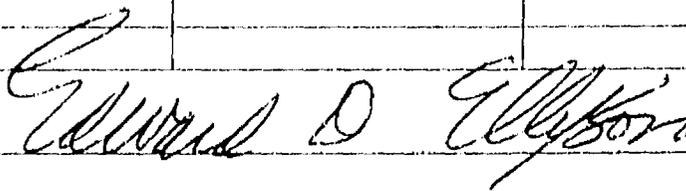
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1417

House Agriculture Committee

Conference Committee

Hearing Date February 15, 2001

Tape Number	Side A	Side B	Meter #
1	x		1115 to 1629
Committee Clerk Signature 			

Minutes:

Chairman Nicholas: Let's go to HB 1417. That is a program that would increase the revenue bonds to establish a meat packing plant, so what are the wishes on HB 1417?

Vice Chair Johnson: I make a motion for a Do Pass.

Rep. Koppang: I second.

Chairman Nicholas: Is there any discussion on HB 1417?

Rep. Lemieux: I think having the opportunity to bond is a grand idea to facilitate in establishing some processing facilities in ND. The only regrets I have in here is we don't have the state matching the funds. I do speak in favor of the Do Pass.

Rep. Berg: I can't imagine anyone is going to buy the bond. I don't think it will work. I think a meat packing plant is tied into a primary sector which should receive money from development funds and investment tax credits, there are a lot of vehicles out there that certainly this would be an ideal business for them to jump on.

Chairman Nicholas: There are things though with rural development, programs that are guaranteed to be brought in. Maybe it could be used in that way, there are ways that these things can be made to work. The other thing that could happen is if there was momentum put in place to establish a project like this and a plant could be built. Sometimes there are leases that could be put in place with other food processing companies. There are other mechanisms out there that could probably make these things work.

Rep. Berg: Are these bonds just for meat packing? Just a meat packing plant.

Rep. Lemieux: The rural development doesn't always do their own destinations. Sometimes it doesn't come under rural development. I am not sure if this one does. You get participation from the local level, it provides tools and vehicles on a local level. I think it provides a vehicle. We got to get it out there to find out.

Rep. Berg: The way it could work is if it was a project and then you sold bonds under this chapter for that particular project. You don't have the project to go out and sell bonds, no one is going to buy it. I guess that is the question? What does it cover? Maybe it should be stopped. I don't have any major problem with this bill but maybe we should expand it? Beyond meat packing.

Chairman Nicholas: Well, we decided to expand it with our counterparts in the Senate, we just want to get rid of it. Any further discussion. The Clerk will take the roll.

MOTION FOR A DO PASS

YES 12 NO, 0

3 ABSENT AND NOT VOTING

CARRIED BY REP. LEMIEUX

FISCAL NOTE
 Requested by Legislative Council
 01/23/2001

Bill/Resolution No.: HB 1417

Amendment to:

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

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

In consultation with the Bank of North Dakota staff, we do not believe there would be any additional fiscal impact for administering the loan program outlined on Page 2 of HB 1417. Any loans provided per this legislation could be absorbed within the Bank's current loan operations.

The bill also proposes that any costs incurred in selling the bonds or evidences of indebtedness would be included in the bond proceeds. So, again, we do not believe there would be an out-of-pocket fiscal impact to the Commission. However, there would be substantial staff time to structure and complete a bond issue.

The more significant question is whether these bonds or evidences of indebtedness would be marketable without some form of credit enhancement such as bond insurance or State or Federal backing. Lines 8, 9 and 10 on Page 4 state that neither the faith or the credit nor the taxing power of the state is pledged to the payment of the principal of or interest on the bonds. This would appear to eliminate the State from providing any backing for these bonds. With respect to bond insurance, it is questionable whether an insurer would offer insurance without State involvement such as a moral obligation pledge to appropriate any amounts needed for debt service from an identified revenue source. Again, as stated above, with the language on page 4, it appears that the State could not provide any moral obligation pledge to appropriate funds.

If the Bank of North Dakota would be asked to provide a letter of credit for bonds issued per this law, the fiscal impact would be the credit risk the Bank would incur. Without knowing how many or the dollar amount needed for the meatpacking plants contemplated by this legislation, we are unable to determine the

fiscal impact to the Bank.

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

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

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

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

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	02/07/2001

