

# MICROFILM DIVIDER

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SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

24447

2001 SENATE AGRICULTURE

SB 2447

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2447

Senate Agriculture Committee

Conference Committee

Hearing Date February 15, 2001

Tape Number	Side A	Side B	Meter #
Feb. 15 1	X		0.0 - 33.8
Committee Clerk Signature			

Minutes:

ROGER JOHNSON; Ag. Commissioner, testified in support of this bill. See attached testimony.

SENATOR WANZEK; As far as the details and limits on the loans are they through the rules of the bank.

ROGER JOHNSON; As this bill is drafted I would anticipate that it would be the same way that you treat any other loan at a bank.

ROD ANHELUK; Bank of ND, stated that the Bank of ND is neutral on this bill. The Bank of ND has established a working relationship with all financial institutions. Answered questions for the committee.

SENATOR KROEPLIN; A direct loan verses a participation loan, is there any difference in cost? Would interest rate be the same? Would it be more economical to go with a direct loan?

ROD ANHELUK; It probably wouldn't be any different. I don't think there would be any less of a cost coming directly to us. The only one might be a service fee issue. In our participation lending especially our programs our net rate is passed to the customer.

SENATOR NICHOLS; With regard to the proposal a couple years ago where there was a lot of work done by a lot of people to put together a feedlot and pretty good sized slaughter plant operation, with these smaller plants in most case you would have a lead lender that you would be working with. Would it be any different on the type of thing the ag group was looking at where it was quite large probably something smaller lenders would be able to take on.

ROD ANHELUK; No I don't think so. One of our missions is to help local lenders on the overline basis. A lot of times we are asked to step in when the credit calls for more than they can legally lend. The other issue is, we do work with large lenders, so I don't think size will be an issue.

SENATOR WANZEK; asked to let Senator Solberg testify.

SENATOR SOLBERG; Sponsor, testified in the neutral position on this bill. After doing some research on this bill, I am not so sure it is necessary. I think things can be handled they it is. I think we have the capability to do it right now.

SENATOR KROEPLIN; This will allow the bank to make a direct loan and there could be a savings by making a direct loans in regards to the fee that goes along with the indirect loan.

SENATOR SOLBERG; In a situation like this there are certain ways and programs to talk about interest. That depends on the equity that is put up front whether it be a cooperative or private effort. This will be changing policy some on the Bank of ND to go to direct if they could.

SENATOR KROEPLIN; Would there be a savings on direct loans in terms of the fee that goes along with an indirect loan?

ROD ANHELUK; Right now we do make direct loans. We make loans out of the Line Dept. Funds and on our direct lending we do have fees. On a participation loan the bank comes to us and ask us to buy into loan there may not be fees.

SENATOR KROEPLIN; Is this the same as if it is going through the bank for a participation loan?

ROD ANHELUK; Our fees are established, if we work with a local lender they are negotiated.

SENATOR KROEPLIN; Is that the same as working with a local lender?

ROD ANHELUK; No.

SENATOR KROEPLIN; What is the difference?

ROD ANHELUK; Zero to one percent.

SENATOR KROEPLIN; Is that determined by the local lender not the Bank of ND as to what the fee is charged to the customer?

ROD ANHELUK; First they negotiated it with their customer, then with the participating lender. It is established between the customer and the local lender, if there is nothing established we usually will not add to it.

ED SATHER; Bank of ND - Investment Officer, explained processes to the committee.

SENATOR KROEPLIN; Is there a cap as to how much the fee can be or is it what the local bank determines what they need?

ED SATHER; The local borrower doesn't even know if there is a service fee. We have said no, in the past when lenders try to charge a higher fee. In terms of the borrower they don't know if the bank is receiving a fee.

SENATOR WANZEK; Banks may have different rates for different customers based on the quality of that customers history.

ED SATLTER; Based upon credit quality, they are going to look at servicing and credit risks.

SENATOR KROEPLIN; Is there a finders fee?

ED SATLTER; I think a lot of the local lenders might charge a origination fee. That is a decision made by the local lender. Not all lenders charge a fee.

SENATOR WANZEK; There is many cases where a bank is looking to build relationship with a customer and use the program without putting as many of their dollars at risk in a venture by participating with the Bank of ND and keeping the fees reasonable because they are looking to establishing a relationship and new customer into the territory that will hopefully spend many years banking there.

ED SATHER; That is correct, from the banking perspective the Bank of ND is isolated. We don't deal directly with individuals, we don't have the services. When borrowers come to there lenders they are looking at the total relationship. They try to service there customer as best they can.

SENATOR KLEIN; The Ag. PACE Program has had reserves in it by the end of the biennium?

ROD ANHELUK; The Ag. PACE Fund we have not used up, I think we had a \$300,000 carry-over from the last biennium. Since the last biennium we have opened it up to irrigation, financing equity share for start up or expanding value added projects.

The hearing was closed.

SENATOR NICHOLS moved for a DO NOT PASS on this bill.

SENATOR KLEIN seconded the motion.

SENATOR NICHOLS; Even with regard to a very large plant they could work with St. Paul and larger banks.

Roll call vote: 6 Yeas, 0 No, 0 Absent and Not voting.

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Senate Agriculture Committee

Bill/Resolution Number SB 2447

Hearing Date February 15, 2001

SENATOR NICHOLS will carry the bill.



**REPORT OF STANDING COMMITTEE (410)**  
February 15, 2001 11:47 a.m.

**Module No: SR-28-3483**  
**Carrier: Nichols**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2447: Agriculture Committee (Sen. Wanzek, Chairman) recommends DO NOT PASS**  
(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2447 was placed on the  
Eleventh order on the calendar.

2001 TESTIMONY

SB 2447

COMMISSIONER OF AGRICULTURE  
ROGER JOHNSON



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**Testimony of Roger Johnson  
Agriculture Commissioner  
Senate Bill 2447  
Senate Agriculture Committee  
Roosevelt Park Room  
February 15, 2001**

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Chairman Wanzek and members of the Senate Agriculture Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of SB 2447, which increases the power of the Bank of North Dakota to make, purchase, or hold loans with respect to meatpacking businesses.

Animal agriculture is a very important part of North Dakota's agricultural economy. According to the North Dakota Agricultural Statistics Service, our current cattle inventory is 1.98 million head. Our livestock industry has great potential to increase the value of its existing product.

I believe that we need to expand animal agriculture in this state and work to capitalize on new opportunities through identity preservation, feeding and finishing, and slaughter. SB 2447 also coincides with an objective of the Commission on the Future of Agriculture (COFA) "to develop and implement an aggressive plan for increasing animal agriculture within the state." This legislation provides for one of the tools needed to move in this direction.

Currently the Bank of North Dakota can participate only with commercial banks in making loans to meat packing businesses that would like to establish or expand in our state. This bill provides the opportunity to further develop livestock value-added opportunities in North Dakota by providing the Bank of North Dakota the authority to make direct loans to these meatpacking businesses.

Chairman Wanzek and committee members, this legislation would create one more tool to further develop livestock opportunities in the state. I ask for your favorable consideration of SB 2447, and I would be happy to answer any questions you may have.