

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2322

2005 SENATE AGRICULTURE

SB 2322

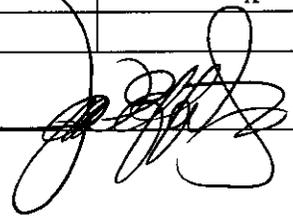
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2322

Senate Agriculture Committee

Conference Committee

Hearing Date January 28, 2005

Tape Number	Side A	Side B	Meter #
1	x		5871 - end
1		x	0 - 3821
2	x		327 - 1291
Committee Clerk Signature 			

Minutes:

Chairman Flakoll opened the hearing on SB 2322, a bill relating to restrictions on the acquisition of agricultural land. All members were present except Senator Erbele.

Senator Wardner introduced the bill. In his capacity as Executive Director of the Dickinson Area Chamber of Commerce, he has come to appreciate the agricultural groups that participate in commerce in Dickinson and they all do. From the dairy farmers in Stark County has come the North Dakota Dairy Task Force. Dairies have a big impact on a community. This bill is introduced at the request of the North Dakota Dairy Task Force. They want to protect the infrastructure of the industry. There have been inquiries from people from other countries who want to come to North Dakota to establish dairy operations. We want to keep the dairies we have. We have people migrating from urban areas in the US that want to find a place to establish dairies. This is one way to keep the rural areas vibrant. One dairy cow generates \$5000 in economic impact. The bill requires the individual to be actively involved, and the amendment

tightens it up even more. They must be there 10 months out of the year. If they leave, they have 2 years to sell the property.

Senator Flakoll asked if a nonresident alien could have a vegetable farm.

Senator Wardner said he could have a vegetable farm but he'd better have a dairy too.

Senator Flakoll asked if he could have three dairy goats.

Senator Wardner said the bill is referring to cows.

Senator Flakoll asked if there is an increased chance of being labeled a bad neighbor with such a small acreage.

Senator Wardner said a dairy doesn't take much land, They buy feed, contract to have their replacement heifers raised. There are concerns about a foreign people owning too much land and the amendment speaks to that.

Senator Urlacher asked if 320 acres is adequate for spreading manure and meeting EPA requirements..

Senator Wardner said many dairies have contracts with their neighbors for spreading manure. They would have to follow all health department regulations.

Senator Taylor asked about the history of the statute.

Senator Wardner said he did not research it. There was a time when a country was coming here and buying land and we were concerned. That was back in the 80's.

Senator Klein asked if this would be an individual and not a corporation.

Senator Wardner said yes. We are looking for individuals with families.

Senator Urlacher asked if it could still be a family corporation with an individual operator.

Senator Flakoll said because his wife was an alien, if she were not a Canadian, could she own agricultural property.

Senator Wardner said she couldn't but Senator Flakoll could.

Senator Flakoll said he would like someone to address what South Dakota is doing.

Senator Wardner said the dairy people are very interested in this bill. They are very progressive.

Gary Hoffman, executive director of the North Dakota Dairy Coalition, testified in favor of the bill.. (written testimony) (meter 891) By definition, a dairy operation is dairy cows. The history of the statute, during the energy crunch of the '70's there was concern about foreigners coming in to buy land to get energy reserves. Corporate farming should not be an issue. Jerry Messer, one of their board members who is also on the National Dairy Promotion Check Off Board, is in Texas on national board business. Harvey Hoff, their chairman, has a daughter with surgery this morning, Ole Johnson, a dairy producer from Washington state who moved to North Dakota and has a dairy operation in Stanton now, had a vet check this morning, These are all dairy producers who support this bill but couldn't attend today. As dairy numbers continue to decline, it becomes more difficult for the remaining producers to access those services that are necessary to run an efficient dairy operation. We have to grow the industry or at least stabilize it. Several processors have closed their doors in the last few years because of a lack of milk. This would be one more tool to grow the industry. They have been to the World Dairy Expo and are going next week to California to the farm expo telling dairy producers why North Dakota is an excellent location. A large dairy focuses on producing milk. They contract with their neighbors for manure disposal, they buy their feed, they contract heifer raising.

Senator Taylor said Mr. Hoffman distributed a very good promotional piece and asked how it is distributed to potential dairies.

Mr. Hoffman said the response has been good. In the past 6 months he has had contact with a Washington state family, a Vermont family, a Washington family is coming in March, two families from Minnesota, there is a farmer from the Netherlands coming to the United States next spring (meter 2078)

Senator Taylor said in Towner County, their community development corporation owns a dairy facility and leased it to someone from the Netherlands. Could we use that angle.

Mr. Hoffman said we could. That was a unique situation. In most cases the lender wants the producer to own the property where the facilities will be located.

Senator Flakoll asked if he would be opposed to the emergency clause being amended on the bill.

Mr. Hoffman said that would be helpful. There is a group from England and the Netherlands that comes to the US every year. He would love to tell them to come to North Dakota next time.

Senator Flakoll asked why the people are coming from the EU nations.

Mr. Hoffman said they are dairy farmers and they love the business. They are being squeezed out. There isn't room for animal agriculture any more. The same is true for people from the east coast of the United States.

Nathan Boehm, a second generation dairy farmer from Mandan, testified in favor of the bill.

(written testimony) (meter 2454)

Richard Schlosser, representing the North Dakota Farmers Union, testified in opposition to the bill. (written testimony) (meter 2695) The North Dakota Farmers Union appreciates the efforts of the Dairy Coalition.

Mr. Schlosser said regarding Senator Taylor's previous question about the history of the statute, it was introduced in 1979, during the energy issues of the late '70's.

Senator Taylor asked how long it takes to become a naturalized citizen.

Mr. Schlosser said it is a lengthy process.

Senator Flakoll said it took his wife 7 years.

Senator Flakoll asked if it is better to have an owner from the east coast own agricultural land for hunting and come here one week per year or for an alien farmer to own it and become an active part of the community. Which is better for North Dakota.

Mr. Schlosser said neither. They testified on a bill for a different property tax for hunting land, their members are concerned.

Senator Flakoll asked how we convince people we are not fence building.

Mr. Schlosser said he is speaking to the issue of land ownership. This is a closely held belief of all North Dakotans. The corporate farming issue is the genesis of this closely held belief.

Senator Flakoll asked if it's working well for us.

Mr. Schlosser said yes.

Senator Flakoll said we hear about the decline of rural North Dakota. Wouldn't this help.

Mr. Schlosser said he takes the opposite view.

Chairman Flakoll closed the hearing on SB 2322.

Senator Klein asked about the opposition testimony of the North Dakota Farmers Union. He asked if it is because they are against outside investment into North Dakota. (meter 327, tape 2, side A)

Senator Flakoll said it is the policy of North Dakota Farmers Union.

Senator Seymour said we have a global economy now.

Senator Klein said we are having a difficult time getting young people to stay on the dairy farm. It is a hard job. South Dakota has been able to lure a handful of foreign dairy producers, about one per year. With only 320 acres, would it be so bad?

Senator Taylor said one of the keys is what do the citizens get back. They do get a member of the community, this is not absentee ownership. It is a very specific group of people. It would be good for the community and the dairy industry.

Senator Klein said we have lost an opportunity because of this law and we watch our South Dakota friends expand on these things while we are being isolationists.

Senator Flakoll said if we get one family, its worth considering. One family in small town North Dakota is a nice thing.

Senator Urlacher said the outlying states have fixed what is broken.

Senator Flakoll said there is an amendment that has been proposed. He doesn't know that we have to reduce the size from a section to a half section. There may be some advantages to having a little more land mass around the operation. Its not as if they are looking at building in downtown Detroit.

Senator Seymour said he agrees.

Senator Urlacher said there has been a problem in hog set ups, they needed more space. A section would be okay.

Senator Flakoll said that is the upper limit, they don't have to buy that much. If you are a retiring farmer and you have the place all set up with shelter belts, you would hate to break up the place.

Senator Flakoll said there may be some opportunity down the road for vegetable production.

Senator Taylor said without the amendments, the bill does not specify dairy operations.

Senator Flakoll said we would have to add that.

Senator Klein said is it so bad for an alien farmer to own a section of land, he still has to live there and participate in the operation.

Senator Flakoll said that's what he's saying. The economy of scale would nip you a little.

Senator Urlacher said we should stay with the dairy, otherwise we might endanger the bill.

Senator Klein said what the committee would like is to leave the 640 acres as is and amend to include only a dairy operation.

Senator Klein moved an amendment to SB 2322 to include only a dairy operation.

Senator Taylor seconded the motion.

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

Senator Klein moved a do pass as amended on SB 2322.

Senator Taylor seconded the motion.

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

REPORT OF STANDING COMMITTEE

SB 2322: Agriculture Committee (Sen. Flakoll, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2322 was placed on the Sixth order on the calendar.

Page 1, line 18, remove "and"

Page 1, line 20, after the underscored right bracket insert "; and

e. The agricultural landholding includes a dairy operation"

Renumber accordingly

2005 HOUSE AGRICULTURE

SB 2322

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2322

House Agriculture Committee

Conference Committee

Hearing Date 3---03---05

Tape Number	Side A	Side B	Meter #
ONE	A		33 TO 51.4
Committee Clerk Signature <i>Edward S. Elgson</i>			

Minutes:

CHAIRMAN NICHOLAS: Committee Members, we will open the hearing on SB 2322.

RELATING TO RESTRICTIONS ON THE ACQUISITION OF AGRICULTURE LAND.

SENATOR WARRNER: DISTRICT 37. DICKINSON N.D. This is a very specific bill.

Bringing the bill before you. The bill has to do with aliens, people from foreign countries

Owning property in the US as you know right now they can't own land in ND.

The bill spells out if they don't live here they have to get rid of the land. In the state of ND there

are a group of people that have come together to try to take care of there own situation. That is

the very people of the state. Being in the dairy business is going up. Simply getting the product

to market. They want more dairies in operation. They want neighbors that are doing the same

thing they are. We are always going to need milk, dairies. People from other parts of the

country want to come here. They are being pushed out by urban sprawl. Plus we have people

from other countries that are looking for opportunities to come here. We talk

about/out-migration from ND and this is an opportunity to bring some people into the state. The big thing that I want to remind you is that a dairy operation, one cow dose generate between F ive to six thousand dollars of annual economic activity. That is huge. I am the director of commerce in Dickinson. I know what makes things click in our community in Dickinson. It is Agriculture businesses. Two livestock sales yards in Dickinson. They make the cash registers jingle. I will tell you what if we had a couple of large dairies in Stark County it would help. This bill is about allowing people from other countries to own property here. I am going to turn if over to Gary Hoffman who is executive director of dairy task force. The bill is very specific. The amount of property, in time and if they are here doing the dairy they have to divest them selves of the property. I call upon Gary Hoffman to go through the bill.

GARY HOFFMAN: EXECUTIVE DIRECTOR NORTH DAKOTA DAIRY COALITION.

[[PLEASE SEE GARY HOFFMAN'S PRINTED TESTIMONY]] I URGE A DO PASS ON THIS BILL Gary offered to answer questions at the end of his testimony.

REPRESENTATIVE MUELLER: Those folks that have come into SouthDakota. Are they becoming citizens? If so how long dose that take?

GARY: It takes from five to seven years. To be full fledged citizens. Dairies now days is a major investment.

REPRESENTATIVE MUELLER: There foreign status, would it have any negative impact on There taking advantage of the programs we have in the state to develop agriculture enterprises.

GARY: If they are residents and actively operating a dairy they can qualify for any thing the residents do.

REPRESENTATIVE BOE. As to the 640 acres what impact would it have if we put in there if we put in they have to be continues acres.

GARY: I don't think it would matter one way or another. The reason they need 640 acres It would be better for them if it was continues acres. They need acres for feed production. They would not be interested in have a quarter here and a quarter there. All close.

CHAIARMAN NICHOLAS: The question I have how many acres will 640 acres sustain How many cows. It dose not seem like much to me. Maybe should be talking about a larger acreage. Unless you are going to buy feed etc.

GARY: This land would not sustain a dairy. The dairy would buy feed ect from neighbors. They contract with neighbors.

CHAIRMAN NICHOLAS: Any other support of this bill.

REPRESENTATIVE KREDIT: I think this is a good bill and I do support the bill. It is an Opportunity for everyone. Our dairy has been operation since 1935. We have a grand son who is 12 years old and we are hoping someday he will take the dairy farm over from our son. He would become the 6th generation. It would be unusual. Urge support of bill.

CHAIR: Thank you. Next.

NATHAM JAMES BOEHM: DAIRY FARMER.

[[PLEASE READ NATHAM'S PRINTED TESTIMONY]]

CHAIRMAN NICHOLAS: ADDITIONAL TESTIMONY IN FAVOR OF BILL.
IN OPPOSITION OF BILL.

WOODY BARTH: My name is Woody Barth. Farmers Union. We oppose bill.

[[please see Woody Barths testimony as to opposition.]]

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2322

House Agriculture Committee

Conference Committee

Hearing Date 3---03---05

Tape Number	Side A	Side B	Meter #
ONE		B	19 TO 22.3
Committee Clerk Signature <i>Edward J. Ulyson</i>			

Minutes:

CHAIRMAN NICHOLAS:: Committee Members, SB 2322. I think we can move this bill out. What are the Committee Members wishes on SB 2322.

REPRESENTATIVE MUELLER; Moved for a DO PASS.

REPRESENTATIVE UGLUM SECONDED THE MOTION.

THE CLERK TOOK THE ROLL THERE WERE 10 YES

0 NO

3 ABSENT

REPRESENTATIVE MUELLER CARRIED THE BILL.

CHAIRMAN NICHOLAS CLOSED ON SB 2322

115B2322
3-3-05

Date:
Roll Call Vote #:

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

House HOUSE AGRICULTURE COMMITTEE Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS

Motion Made By Muller Seconded By Uglem

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

Total (Yes) 10 No 0

Absent 3

Floor Assignment Muller

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

REPORT OF STANDING COMMITTEE (410)
March 3, 2005 1:13 p.m.

Module No: HR-39-4064
Carrier: Mueller
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2322, as engrossed: Agriculture Committee (Rep. Nicholas, Chairman) recommends DO PASS (10 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Engrossed SB 2322 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

SB 2322

Testimony in support of SB 2322
January 28, 2005, 10:15 a.m.
Roosevelt Park Room
By Gary Hoffman, executive director
North Dakota Dairy Coalition

Good morning

Mr. Chairman and members of the Committee, my name is Gary Hoffman representing the North Dakota Dairy Coalition. The ND Dairy Coalition is a group of dairy producers, dairy processors, ND Ag commodity groups, Rural Electric co-ops, ND Milk Producers Association and other groups that have a vested interest in the ND dairy industry. Our board of directors is made up of North Dakota dairy producers who are concerned about the survival of their industry. The goal of the North Dakota Dairy Coalition is to grow the dairy industry in ND by; 1. Working with North Dakota producers to help them expand and reinvest in their facilities so they can bring in sons and daughters who may want to dairy in North Dakota. 2. Recruit dairies from outside our borders who are considering relocating their dairies to the Midwest.

As producer numbers and dairy cow numbers continue to decline it becomes more and more difficult for the remaining ND producers to stay in business. North Dakota is at a critical point in time. We have to grow the industry to keep the infrastructure in place that is needed for our existing producers. Several processors have closed their doors in recent years because of not having an adequate milk supply.

We are here today in support of SB 2322. Let me explain why we support this bill. In the last six months we have discovered that there are quite a few producers in the United States and overseas that are looking for a place to dairy farm. Producers are pulling up stakes and moving to agricultural areas such as the Midwest to continue dairy farming. States around us are taking advantage of this and recruiting producers because of the economic impact dairies have on a states economy. In order to be competitive, North Dakota should be on the same plain as the states around us.

The sponsors of this bill have done a good job of putting in safeguards that our producers are comfortable with.

SB 2322 requires individuals to live in North Dakota if they own land here. Which means they can not be an absentee owner.

SB 2322 has an acreage cap on it. In fact, we wouldn't mind if that was reduced to 320 acres. At 320 acres you really can't make a living grain farming or cattle ranching so it would pretty much be restricted to a dairy.

SB2322 requires that an immigrant land owner would have to register with a state agency so the state knows the status of the ownership.

And finally if an immigrant land owner doesn't meet the criteria I mentioned before they have to get rid of the property within a 24 month time period.

I checked with my counter part in South Dakota to see if they have been inundated with immigrants flocking into their state. Since 1995 they have had 12 dairies move in from other countries such as the Netherlands, UK, and Belgium. The average age is from 27 to 30. I don't know what the demographics are in your counties but in McIntosh County where my farm is located, we could use some people of child bearing age. On average they have two kids in school and they are not the large corporate farms that we all fear. These dairies range from 100,130, 300, 350, and 450 to the largest at 800 cows.

In my mind this isn't any worse than what we are seeing in rural North Dakota now. We have out of state investors buying farm land at twice its agricultural value just so they can hunt for a few days. They have no intention of ever moving to North Dakota and living on the land. They just need a tax shelter and a place to hunt.

I realize that this is not a cure all for our state but it is one little piece in the puzzle for the dairy industry. Our number one priority is to grow the industry from within and we will continue heading down that road but every dairy cow that we can feed in North Dakota with North Dakota grains and forages generates \$6854.00* annually. As you can see, every cow counts. If you take that times the loss of 64,000 dairy cows in North Dakota since 1985 you can see that we are leaving \$438,656,000.00 on the table by not getting out their and rebuilding the North Dakota dairy herd.

Again, the North Dakota Dairy Coalition encourages a do pass on SB 2322.

Thank you

(*revenue per cow is based on 20,000 pounds production, average 2003 ND milk price of \$12.74, USDA multiplier for dairy of 2.69)

In 1995 North Dakota had 1250 dairies, today we have 383 dairies

In 1985 North Dakota had 100,000 dairy cows, today we have 36,000 dairy cows

Senate Bill 2322
Testimony by Nathan James Boehm
1-28-05

*Same
Swaps to
Howe*

Mr. Chairman and members of the committee my name is Nathan Boehm and I am here in support of Senate Bill 2322. I am a second generation dairy farmer from Mandan and currently milk about 100 head of registered Jerseys and Holsteins with my parents. I am concerned with the trend the dairy industry has been going in our state. We have fewer dairy farms which in turn leads us to less infrastructure and technical support for those dairy farms. It is getting harder and harder to find a good dairy veterinarian, a knowledgeable nutritionist, or available equipment dealer.

As a member of the Dairy Coalition we have put forth goals to expand the dairy industry from within and from the outside. Senate Bill 2322 would give us another tool to achieve the goals we have set. As you can see we have put forth restrictions on this land ownership from limiting the acreage to saying they have to live in this state and actively participate in the operation. They are also accountable to the Ag Commissioner and if they do not meet these stipulations must dispose of the property.

What we are talking about is the same type of dairy farmers that have moved from overseas to our neighboring states. They bring large families and a solid work ethic. They put money back into their local communities by buying food, feed and supplies and put kids in the school systems. We cannot compete with our neighboring states for this economic impact without Senate Bill 2322.

I am sure we will hear in opposition to this bill in that they don't want "foreigners" to own North Dakota land. I would much rather have a dairy farmer from the Netherlands milking 500 Holsteins next to me than some doctor from New York owning that same land, hunting on it for one week per year and having no significant impact on that community or our state economically, yet this is exactly what our current law allows.

Mr. Chairman and members of the committee I urge a YEA vote on Senate Bill 2322. Allow the dairy farmers and the Dairy Coalition of this state this tool to help expand their industry, keep the infrastructure we need to survive in place and give myself and my family the opportunity to continue to do what we love, milking cows.

THANK YOU

Are there any questions?

North Dakota Farmers Union

PO Box 2136 • 1415 12th Ave SE • Jamestown ND 58401

701-252-2340 • 800-366-NDFU

FAX: 701-252-6584

WEBSITE: www.ndfu.org

E-MAIL: ndfu@ndfu.org



Senate Bill 2322
Agriculture Committee

Chairman Flakoll and members of the Senate Agriculture Committee.

My name is Richard Schlosser; I am here representing over 35,000 members of North Dakota Farmers Union. I am here to testify in opposition to SB 2322.

We are opposed to this bill primarily because we feel North Dakota residents and potential investors from other states should have priority in development of high-value agricultural enterprises. We realize this is an attempt to jump-start some dairy operations, but we question why foreign investors need to own land to get these businesses started. There are alternatives through long-term leasing, partnerships, or other arrangements to encourage this industry.

Many of us have ancestors who immigrated into our state to become successful entrepreneurs and our state and nation are richer because of it. However, we are concerned about creating special exemptions to our emphasis on land ownership being in the hands of family farmers who participate in successful rural communities.

We feel this special exemption is being created to fit a specific situation, and it would be reasonable for the parties involved to seek other solutions to creating ways to bring outside dairy operations or other expertise into the state. It would seem that the assets could be leased for a certain period to foreign citizens, to give them time to move the business assets and personnel here and actually become citizens of this country. With proper structuring of a long-term lease, the foreign business could be attracted here, and if in time the owners of this business commit to citizenship and permanent status, then the land could be purchased at that time. We would also question the commitment to environmental quality if that person or organization does not intend to become permanent citizens of the area.

NDFU policy states specifically that we oppose alien ownership of land for agricultural purposes, and actually encourage similar legislation federally with the intent that agriculture land ownership and the profits made from production remain in the hands of family farmers and ranchers.

North Dakota Farmers Union urges do not pass on SB 2322.

Thank you Chairman Falkoll and members of the committee, I will answer any questions at this time.

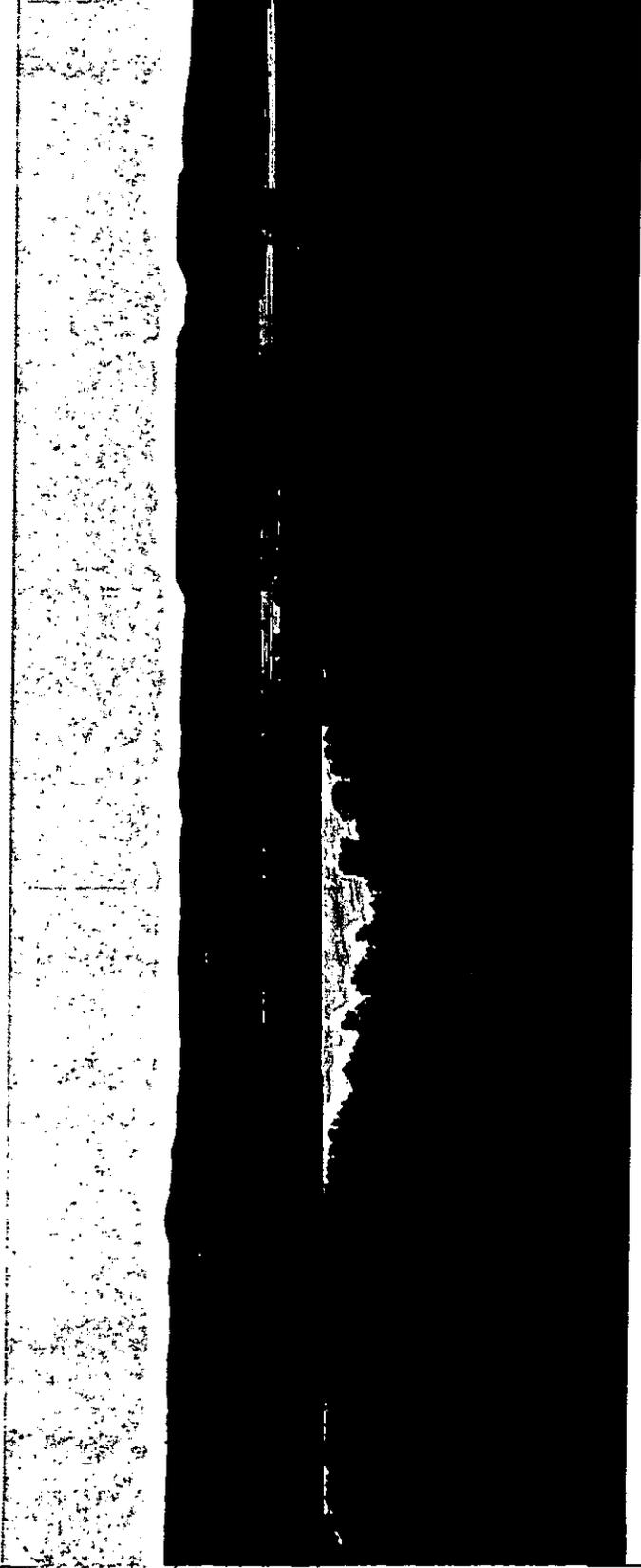
NORTH DAKOTA CENTURY CODE

47-10.1-02. Restriction on acquisition - Exceptions. A person who is not a citizen of the United States or a citizen of Canada, except a permanent resident alien of the United States, may not acquire directly or indirectly any interest in agricultural land. A partnership, limited partnership, limited liability company, trustee, or other business entity may not, directly or indirectly, acquire or otherwise obtain any interest, whether legal, beneficial, or otherwise, in any title to agricultural land unless the ultimate beneficial interest of the entity is held directly or indirectly by citizens of the United States or permanent resident aliens of the United States. This section does not apply to agricultural land that may be acquired by devise, inheritance, as security for indebtedness, by process of law in the collection of debts, or by any procedure for the enforcement of a lien or claim thereon, whether created by mortgage or otherwise; provided, that all agricultural land acquired in the collection of debts or by the enforcement of a lien or claim shall be disposed of within three years after acquiring ownership, if the acquisition would otherwise violate this section. This section does not apply to a foreign corporation or a foreign limited liability company which acquires agricultural land for use as an industrial site when construction contracts are entered into by the corporation or limited liability company within one hundred fifty days after acquisition of the land; provided, that this exception shall only apply to so much agricultural land as is reasonably necessary for industrial purposes.

A foreign corporation or a foreign limited liability company which owns agricultural land for industrial purposes but which discontinues using the land for industrial purposes shall dispose of the land as provided by chapter 10-06.1. A foreign corporation or foreign limited liability company shall dispose of agricultural land acquired for industrial purposes within one year after acquisition if construction contracts are not entered into within one hundred fifty days after acquisition of the land. This section does not apply to citizens or subjects of a foreign country whose rights to hold land are secured by treaty or to common carriers by railroad subject to the jurisdiction of the interstate commerce commission.

SB 2322

NORTH DAKOTA



A DAIRY FRIENDLY STATE

WELCOME

Greetings from North Dakota!

North Dakota was founded on the rich traditions of agriculture, and today, it is the leading industry in our state. Our 30,000 family farmers lead the nation in the production of commodities, including spring wheat, durum, barley, canola and sunflowers.

Dairy farming is an important part of North Dakota's agriculture industry. Our state and business leaders understand the important role dairy production plays in our economy, and many of them have agriculture background. As a result, our regulatory and environmental quality agencies are committed to dairy producers and helping them successfully operate their businesses.

North Dakota offers many advantages for dairy producers, including financing programs, affordable land, simplified processes for obtaining permits, ample feed supplies and access to dairy processing facilities. We have programs already in place to help dairy farmers start or relocate their farms, manage waste and market their products.

Most importantly, North Dakota is a great place to live and raise a family. With our excellent schools, low crime rate, friendly communities and a wide variety of year-round recreational activities, you will enjoy a quality of life that is unsurpassed.

Whether you are interested in starting a new dairy operation or relocating your herd, North Dakota has what you need for a successful business. We welcome the opportunity to help make that happen.

Sincerely,



John Hoeven
North Dakota Governor



Roger Johnson
North Dakota Agriculture Commissioner

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NORTH DAKOTA DAIRY COALITION

Incorporated in 2004, the North Dakota Dairy Coalition is a one-stop shop for producers planning to expand or relocate. Contact the Dairy Coalition for:

- Information on available sites
- Personalized tours
- Permitting assistance
- Financing assistance

The Coalition represents dairy producers, industry representatives and government entities that are working to increase the number of dairy cows in North Dakota. You can reach Gary Hoffman, executive director of the Coalition, by calling **1-800-234-0518**; or, check out our Web site at www.nddairy.com.

A RICH AGRICULTURAL HISTORY

European explorers first reached what is now North Dakota in 1738, and the first settler arrived in 1801. The fur trade was responsible for most of the early settlement of the area.

Following the organization of Dakota Territory in 1861, settlement began in earnest. The Homestead Act and the progress of the railroads attracted tens of thousands of newcomers, most of them interested in settling on farms and ranches in the new land. In the rich farmland of the Red River Valley in the east, huge bonanza farms were established, covering thousands of acres and employing hundreds of workers. Likewise in the west, large ranching operations, like Theodore Roosevelt's Elkhorn



and Maltese Cross Ranches, were established in the rolling grasslands in the west.

North Dakota became a state in 1889. By then, the bonanza farms were giving way to smaller, family-owned operations. The state became famous for its high quality spring wheat and barley and for its beef cattle. Dairy farming could be found in all parts of the state.

Agriculture is still North Dakota's No. 1 industry. The state's 30,000 family farmers lead the nation in the production of 11 different commodities, including spring wheat, durum, barley, canola and sunflowers.

NORTH DAKOTA'S ADVANTAGES

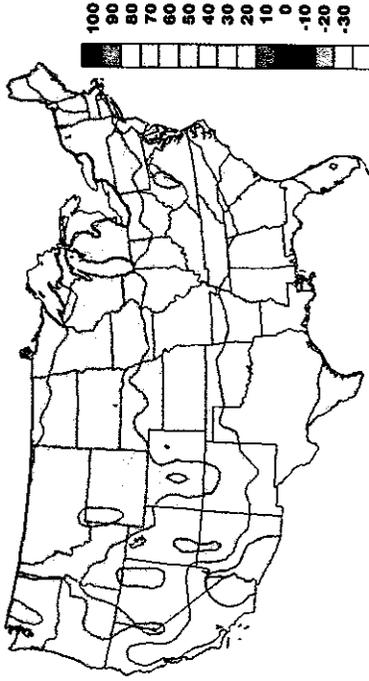
North Dakota offers many advantages for dairy producers, including:

- Affordable land.
- Animal agriculture friendly communities.
- Easy-to-obtain permits.
- Affordable, locally-produced and readily-available feedstuffs.
- A constant supply of low-cost byproducts for feed, such as ethanol byproducts, corn gluten and sugar beet pulp pellets from local agricultural processing plants.
- Dairy processing facilities that need milk, including a new plant in South Dakota that is looking for additional milk.



DAIRY-FRIENDLY CLIMATE

AVERAGE TEMPERATURE (° F)
Jan-Dec 2003



CLIMATE PREDICTION CENTER, NATIONAL WEATHER SERVICE
Computer-generated contours based on preliminary data.

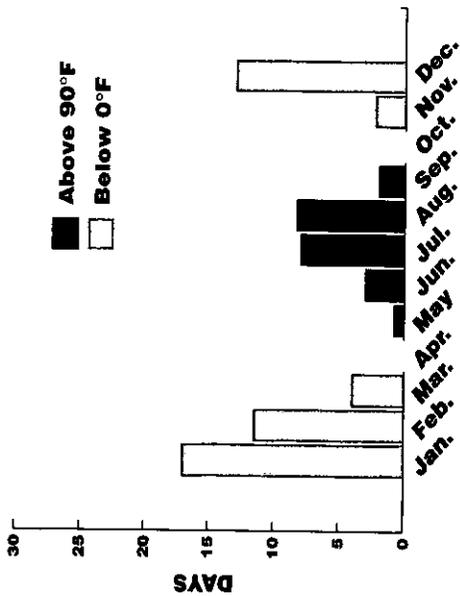
AVERAGE PRECIPITATION (INCHES)
Jan-Dec 2003



CLIMATE PREDICTION CENTER, NATIONAL WEATHER SERVICE
Computer-generated contours based on preliminary data.

DAIRY-FRIENDLY CLIMATE

NORMAL DAYS ABOVE 90°F OR BELOW 0°F
Source: NDASS



PLAINS LIFESTYLE

SNAPSHOT OF NORTH DAKOTA:

- Quality of life — Cost of Living Index = 95.5 (U.S. average = 100) ACCRA Cost of Living Index, 3rd Qtr., 2000
- Third in U.S. for least expensive car insurance rates. 2002 National Association of Insurance Commissioners' report
- No. 1 for the number of community hospitals per 100,000 population and 47th in average cost per visit for a community hospital stay.
- Safe communities — North Dakota has the lowest number of violent crimes, murders, robberies, aggravated assaults and property crimes per 100,000 population.

2002 state rankings compiled by Morgan Quitno Press.

- North Dakota ranks No. 1 for air quality, according to the Corporation for Enterprise Development's 2001 report. The American Lung Association gave the state an "A" grade in its annual

"state of the air" study that analyzes government data on ozone, smog's main ingredient.

EDUCATION IN NORTH DAKOTA:

Primary

- 13.7:1 student to teacher ratio
- Fourth-graders ranked No. 3 in science and No. 10 in math
- Eighth-graders ranked No. 2 in science and No. 5 in math (2000)

Secondary

- No. 1 for highest public school graduation rate (84.1%, compared to 66.1% for U.S. - 2000)
- No. 1 in Scholastic Aptitude Test Scores (2002)

PLAINS LIFESTYLE



Ole and his wife, Jessica, moved their dairy from Washington state to North Dakota. Ole says, "North Dakota's climate has proven to be good for my cows. It's not as humid here. Our cows have adapted well. And the people here have been very welcoming. The feed is cheap and readily available."

Post Secondary

- No. 1 in college continuation rate for high school graduates (69.4%, compared to 56.7% for the U.S. average - 2000)
- No. 1 in college participation rates for 19-year-olds (58.4%, compared to 37.5% for the U.S. average - 2000)
- Nineteen college and university campuses, including two major research universities
- Two of the first "laptop" universities in the nation

POPULATION:

642,200

Major Cities:

174,367 Fargo – Moorhead
97,478 Grand Forks – East Grand Forks
94,719 Bismarck – Mandan

FINANCIAL INCENTIVES

The only state-owned bank in the nation, the Bank of North Dakota (BND), was established in 1919, to encourage and promote agriculture, commerce and industry in North Dakota. BND acts as a funding resource in partnership with other financial institutions, economic development groups and guarantee agencies.

BND administers a number of lending programs that promote agricultural and economic development. The bank is specifically authorized to assist numerous other financial institutions in providing financing to stimulate economic development in the state.

Lending programs include:

- Farm irrigation
- Livestock retention
- Non-traditional farm income diversification
- Farmer/rancher financing with bank participations
- Beginning and established farmer/rancher financing
- Small business financing
- Guarantee program for start-up businesses
- Guarantee program for farm real estate
- Business financing with bank participations
- Community, rural and regional development
- Incentive financing for North Dakota economic development projects

PERSONAL PROPERTY TAX EXEMPTION

North Dakota exempts all personal property from property taxation except that of certain oil and gas refineries and utilities.

FINANCIAL INCENTIVES

SALES TAX EXEMPTIONS

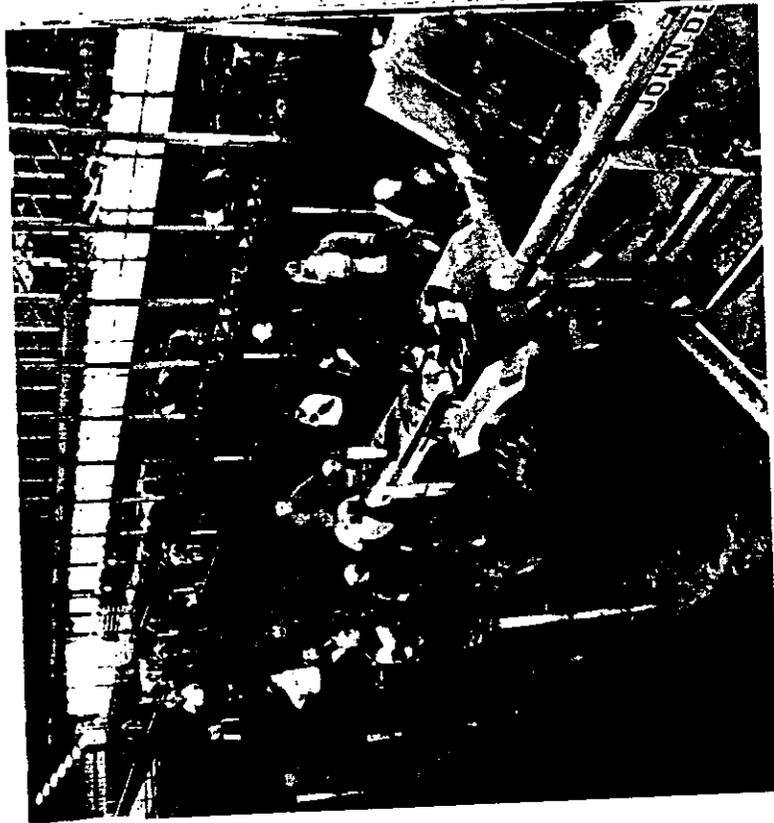
Agriculture Production Equipment

All farm machinery repair parts are exempt from sales tax.

The sale, lease and rental of used farm machinery, used farm machinery attachments, and all farm machinery repair parts (except tires) used exclusively for agricultural purposes are all exempt from state and local sales tax.

Livestock Feed, Seed and Fertilizer

Sales of feed for poultry or livestock are not subject to sales tax. Sales of commercial fertilizers and sales of seeds, roots, bulbs and small plants for agricultural purposes are not subject to sales tax.



MARKETING OPPORTUNITIES

North Dakota offers the following markets for milk producers:

Associated Milk Producers Inc. (AMPI) – This dairy cooperative is owned by 4,600 member dairy farms in Iowa, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wisconsin. Based in New Ulm, Minn., the cooperative's member farms produce 5.2 billion pounds of milk, with annual sales of \$1 billion.

Cass-Clay – This member-owned cooperative was started in 1934. Headquartered in Fargo, members are located in North Dakota, South Dakota, Minnesota and Montana. The plant offers customers a complete dairy line including fluid milk, butter, ice cream, cultured products and cheese. Cass-Clay is the official dairy of the Minnesota Vikings.

Dairy Farmers of America – This cooperative is owned and operated by 22,924 dairy farm families. The company is a diversified United States manufacturer of dairy products, food components, and ingredients.

Dakota Country Cheese – The facility started as a branch of Selfridge Cheese Company in 1985. The Mandan plant is capable of processing 750,000 pounds of milk per day. Products from the plant include barrel cheese and various whey products.

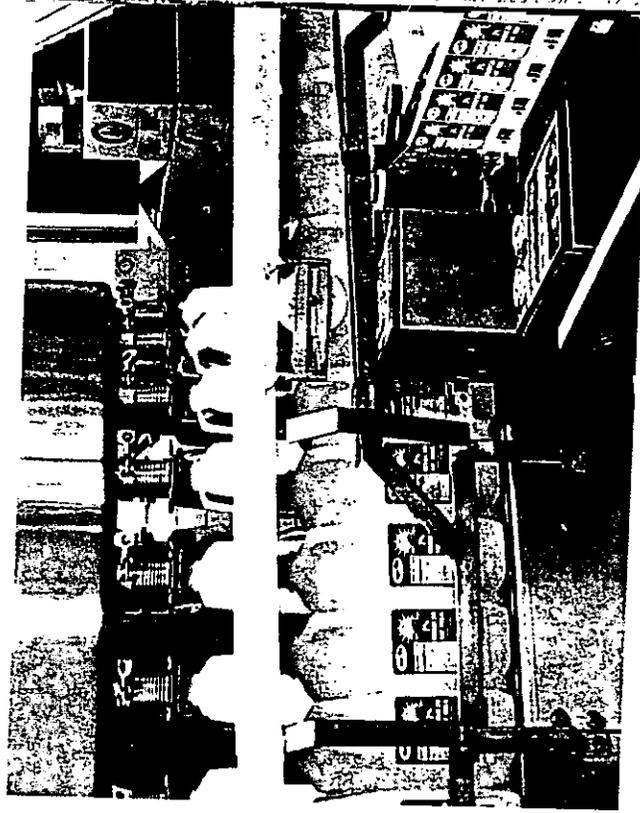
Dean Foods – The nation's leading processor and distributor of milk and other dairy products has a plant in Bismarck. This plant processes grade A milk from North Dakota dairy producers, using both plastic and paper containers for the white milk, chocolate milk, whipping cream, half-and-half and buttermilk products.

MARKETING OPPORTUNITIES

Pride Dairy - The northern community of Bottineau is the home of Pride Dairy. This farmer-owned cooperative started business in 1930. Pride Dairy produces ice cream and butter products.

Valley Queen - This family-owned processing plant was founded in 1929 and is located in Milbank, South Dakota. The company produces three main products: cheese, lactose, and delactosed whey.

Additional nearby resources - Adjacent states of Minnesota and South Dakota have more than 80 milk processing plants.



HEIFER DEVELOPMENT

Dairy producers are finding profit opportunities in North Dakota.

Feedlots are small, so cattle are not exposed to a great number of other animals. Some feedlots are interested in working exclusively with one supplier. Many operations have available grasslands; consequently, heifers do not spend a lot of time on concrete. All feeding operations are family-owned and operated – your cattle will get the individual attention they need.

North Dakota's record on heifer development is one of the best in the nation:

- Dairies report North Dakota-raised heifers remain in milking lines up to two years longer.
- Open spaces between operations provide added bio-security.

- Large open lots provide added comfort and bunk space.
- Affordable and diverse forages readily available.
- Animals return with little to no incidences of Hairy Wart.
- North Dakota disease-free status:
 - Tuberculosis
 - Brucellosis
 - Scrapie
 - Blue tongue
 - Pseudo-rabies

Call the North Dakota livestock development coordinator at **701-328-4159** for a list of heifer growers in the state or check out North Dakota feedlots at www.agdepartment.com/Programs/Livestock/feedlots.html

HEIFER DEVELOPMENT

"The regulators in North Dakota understand agriculture and most of them have agriculture backgrounds. They understand the industry and understand how crucial agriculture is to the economy."

"The regulatory agencies in our state are always willing to work with producers to be proactive in protecting the environment. And together we find solutions."

Bill Price
Missouri River Feeders
Feeds 10,000 dairy replacement heifers



Photo taken at Missouri River Feeders.

ABUNDANT FEEDSTUFFS

BYPRODUCTS & ALTERNATIVES

- Barley Malt Products
- Beet Pulp
- Corn Gluten Meal
- Linseed Oil
- Potato Waste
- Soybean Meal
- Bean Splits
- Canola Meal
- Distillers Grain
- Mill Feed
- Soybean Hulls
- Sunflower Meal

ALFALA HAY

	Avg. Year Pricing (per ton)	State Production (million tons)
1998	\$65	2.6
1999	\$57	2.4
2000	\$43	3.1
2001	\$46	3.2
2002	\$50	3.3



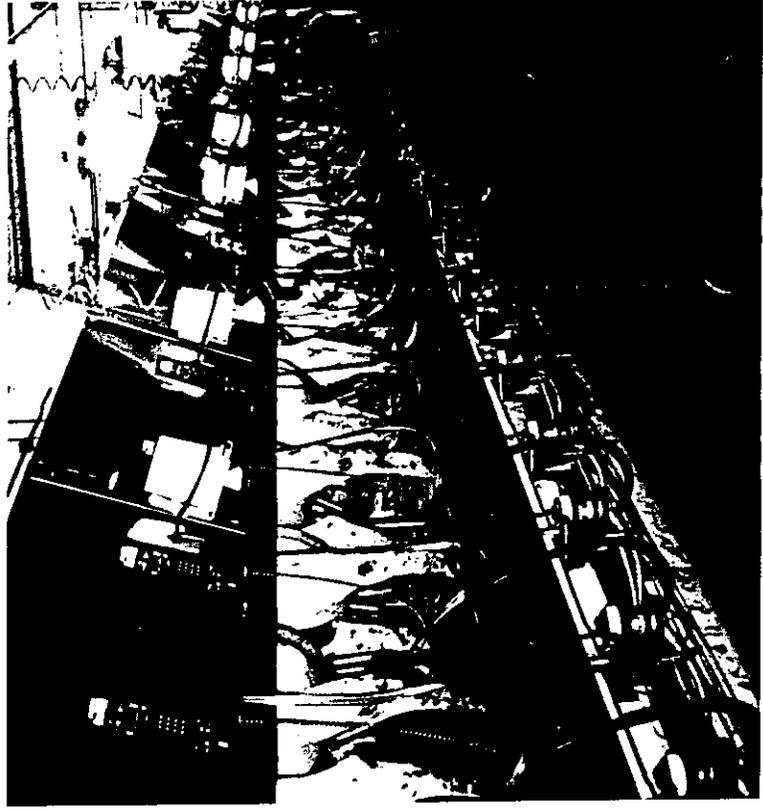
GROWTH POTENTIAL

Growing and expanding your business is easier in North Dakota where land and buildings are extremely affordable.

It costs less to do business here than most anywhere else in the country. Labor, property, buildings and utilities are less expensive. This all adds up to lower operational costs and higher earnings.

Here's some of what our state offers to improve your growth potential:

- Some of the most competitive labor costs in the nation.
- Electric rates ranging from 3.5 to 6 cents per kilowatt-hour for commercial and industrial customers.
- Land prices averaging \$170 per acre for pasture land and \$440 per acre for cropland.
- Byproducts, grains and forages are easily accessible and very affordable.



POLLUTION CONTROL COST SHARING

North Dakota is a place known for its wide-open spaces. But with any dairy operation there comes the challenge of manure management.

To assist North Dakota dairy producers the Department of Agriculture has a program called the Dairy Pollution Prevention Program or DP3 for short. The cost-share program pays 60 percent of approved expenses, while the producer is responsible for the remaining 40 percent.

Benefits of the DP3 program include: controlling or preventing erosion; preventing feedlot waste from entering streams, lakes and rivers; using wetlands as a living filter; prevention or slowing run-off rates during major precipitation events; and helping participants develop a system for applying manure as fertilizer in field applications.

This program is voluntary and non-regulatory. The program started in 2000 and is available for existing operations.

CONTACTS

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Web site: www.agdepartment.com
E-mail: ndda@state.nd.us

THESE GROUPS SUPPORT THE NORTH DAKOTA DAIRY COALITION

- Bank of North Dakota
- Cass Clay Creamery, Inc.
- Great River Dairy Alliance
- Hubbard Feeds
- Midwest Dairy Association
- North Dakota Agricultural Products Utilization Commission
- North Dakota Association of Rural Electric Cooperatives
- North Dakota Barley Council
- North Dakota Corn Utilization Council
- North Dakota dairy producers/individuals
- North Dakota Department of Agriculture
- North Dakota Agricultural Mediation Service
- North Dakota Milk Producers Association
- North Dakota rural electric cooperatives
- North Dakota telephone cooperatives
- North Dakota Soybean Council
- North Dakota State University
- North Dakota Value-added Agriculture Promotions Board
- Stockmen's Supply

Testimony in support of SB 2322
Gary Hoffman, executive director
North Dakota Dairy Coalition

Good morning

Dickinson

Mr. Chairman and members of the Committee, my name is Gary Hoffman representing the North Dakota Dairy Coalition. The ND Dairy Coalition is a group of dairy producers, dairy processors, ND Ag commodity groups, Rural Electric co-ops, ND Milk Producers Association and other groups that have a vested interest in the ND dairy industry. Our board of directors is made up of North Dakota dairy producers who are concerned about the survival of their industry. The goal of the North Dakota Dairy Coalition is to grow the dairy industry in ND by;

1. Working with North Dakota producers to help them expand and reinvest in their facilities so they can bring in sons and daughters who may want to dairy in North Dakota.
2. Recruit dairies from outside our borders who are considering relocating their dairies to the Midwest.

As producer numbers and dairy cow numbers continue to decline it becomes more and more difficult for the remaining ND producers to stay in business. North Dakota is at a critical point in time. We have to grow the industry to keep the infrastructure in place that is needed for our existing producers. Several processors have closed their doors in recent years because of not having an adequate milk supply.

We are here today in support of SB 2322. Let me explain why we support this bill. In the last six months we have discovered that there are quite a few producers in the United States and overseas that are looking for a place to dairy farm. Producers are pulling up stakes and moving to agricultural areas such as the Midwest to continue dairy farming. States around us are taking advantage of this and recruiting producers because of the economic impact dairies have on a states economy. In order to be competitive, North Dakota should be on the same plain as the states around us.

The sponsors of this bill have done a good job of putting in safeguards that our producers are comfortable with.

SB 2322 requires individuals to live in North Dakota if they own land here. Which means they can not be an absentee owner.

SB 2322 has an acreage cap on it. 640 acres is a small farming unit by today's standards.

SB2322 requires that an immigrant land owner would have to register with a state agency so the state knows the status of the ownership.

And finally if an immigrant land owner doesn't meet the criteria I mentioned before they have to get rid of the property within a 24 month time period.

I checked with my counterpart in South Dakota to see if they have been inundated with immigrants flocking into their state. Since 1995 they have had 12 dairies move in from other countries such as the Netherlands, UK, and Belgium. The average age of the people moving in is from 27 to 30. I don't know what the demographics are in your counties but in McIntosh County where my farm is located, we could use some people of child bearing age. On average these farm families have two kids in school and they are not the large corporate farms that we all fear. These dairies range from 100, 130, 300, 350, and 450 to the largest at 800 cows.

Giving immigrants the right to farm in North Dakota is simply going back to what we allowed when my relatives came to North Dakota. This is a welcome change from what we are seeing in rural North Dakota now. Out of state investors are buying farm land at twice its agricultural value just so they can hunt for a few days. They don't control the weeds, they never mow the road ditches and they have no intention of ever moving to North Dakota and living on the land. They just need a tax shelter and a place to hunt.

I realize that this is not a cure all for our state but it is one little piece in the puzzle for the dairy industry. Our number one priority is to grow the industry in North Dakota. Every dairy cow adds \$6854.00* annually to our rural economy. In 1985 we had 100,000 dairy cows in North Dakota today we are at about 36,000 cows. North Dakota is losing \$438,656,000.00* annually in economic activity. Let's give people who want to dairy a chance to locate in North Dakota. Last week Friday I had a call from a dairy producer in Holland, Evert Heckman, he and his family will be in the U.S. this spring looking for a place to dairy. He asked "does ND have any opportunities for dairy farming?" I'd like to invite him to come to ND, but at this time I have tell him to go to SD or MN. Again, the North Dakota Dairy Coalition encourages a do pass on SB 2322.

Thank you

(*revenue per cow is based on 20,000 pounds production, average 2003 ND milk price of \$12.74, USDA multiplier for dairy of 2.69)

In 1995 North Dakota had 1250 dairies, today we have 383 dairies

In 1985 North Dakota had 100,000 dairy cows, today we have 36,000 dairy cows

North Dakota Farmers Union

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FAX: 701-252-6584

WEBSITE: www.ndfu.org

E-MAIL: ndfu@ndfu.org



Senate Bill 2322
House Agriculture Committee

Chairman Nicholas and members of the House Agriculture Committee.

My name is Woody Barth; I asked that this testimony be submitted on behalf of North Dakota Farmers Union and our 35,000 members. North Dakota Farmers Union opposes SB 2322.

We are opposed to this bill primarily because we feel North Dakota residents and potential investors from other states should have priority in development of high-value agricultural enterprises. We realize this is an attempt to jump-start some dairy operations, but we question why foreign investors need to own land to get these businesses started. There are alternatives through long-term leasing, partnerships, or other arrangements to encourage this industry.

Many of us have ancestors who immigrated into our state to become successful entrepreneurs and our state and nation are now better because of it. However, we are concerned about creating special exemptions to our emphasis on land ownership being in the hands of family farmers who participate in successful rural communities.

We feel this special exemption is being created to fit a specific situation, and it would be reasonable for the parties involved to seek other solutions to creating ways to bring outside dairy operations or other expertise into the state. It would seem that the assets could be leased for a certain period to foreign citizens, to give them time to move the business assets and personnel here and actually become citizens of this country. With proper structuring of a long-term lease, the foreign business could be attracted here, and if in time the owners of this business commit to citizenship and permanent status, then the land could be purchased at that time. We would also question the commitment to environmental quality if that person or organization does not intend to become permanent citizens of the area.

NDFU policy states specifically that we oppose alien ownership of land for agricultural purposes, and actually encourage similar legislation federally with the intent that agriculture land ownership and the profits made from production remain in the hands of family farmers and ranchers.

North Dakota Farmers Union urges do not pass on SB 2322.

Thank you Chairman Nicholas and members of the committee.