

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2335

2007 SENATE AGRICULTURE

SB 2335

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2335

Senate Agriculture Committee

Check here for Conference Committee

Hearing Date: February 2, 2007

Recorder Job Number: 2708

Committee Clerk Signature

Cassie Kroh

Minutes:

Sen. Flakoll opened the hearing on SB 2335, a bill to provide an appropriation to the agriculture commissioner for the purpose of expanding organic food production and processing in the state. All members (7) were present.

Sen. Urlacher, district 36, testified in favor of the bill.

Sen. Urlacher- I think this is a worth while effort to put up some seed money for this organization, we have appropriated a small amount of seed money for different areas to do whatever it takes to fulfill a nitch market. I would urge your support on this bill.

Duane Boehm, from Richardton, ND, testified in favor of the bill. See attached testimony.

Also submitted testimony on behalf of **Jim Bobb**, see attached testimony.

Sen. Heckaman- this appropriation would go for expanding production and processing but not whole sale or marketing?

Duane Boehm- we have a long ranged plan but we reduce that somewhat to the early stages being a coordination process but certainly we want to include everyone all the way to consumers.

Sen. Klein- the organic advisory counsel, do you just want to kind of tell me what you guys are doing?

Duane Boehm- I will let our chairman answer that question later.

Lowell Kaul, organic farmer, testified in favor of the bill.

Lowell Kaul- I support this bill, I am farming because of organic. I am making a living by farming organically and marketing.

Britt Jacobson, organic consumer, testified in favor of the bill

Sen. Wanzek- I am curious why do you buy and consume organic?

Britt Jacobson- I believe that I purchase that are organic is a very high quality food. I spend a lot of time preparing my food, I spend a lot of time growing my food in my own garden. Quality is one of the characteristics, I also chose it because I believe that it has fewer chemical residues and that is something that I am also concerned about with not wanting to ingest chemicals. That is my personal choice.

Sen. Wanzek- is there scientific proof that it is higher quality?

Britt Jacobson- there are studies I don't know how many are proving that. I don't think there has been a lot of research that has been done to prove it.

Sen. Taylor- do you shop at farmers market and just take someone's word that they haven't used chemicals or do prefer to have an actual certification?

Britt Jacobson- my experiences is that when I ask how they raise their produce they were not farming organic. I believe there are a few in the state that are certified.

Grayson Hoeberg, organic flour producer, testified in favor of the bill. See attached testimony.

Sen. Erbele- of the flours that you are producing are you only using wheat or are you also making flours from other grains?

Grayson Hoeberg- currently we mill over 20 different flours and are expanding that to 30 different flours in the next 3 months.

Sen. Erbele- do you have standards?

Grayson Hoeberg- we have a dedicated gluten free facilities so there is no contamination.

Sen. Wanzek- what happens if supply can't meet demands?

Grayson Hoeberg- hopefully we will start to do more acreage. If we are not constantly meeting demand then the prices are staying up there too.

Sen. Wanzek- I am talking about more of a macro problem not a micro.

Grayson Hoeberg- if you work the land right with rotation, I don't think that organic farming is going to be anything to feed the masses it is more of a lifestyle choice that some people make. I don't now how we would meet the needs if it did get big.

Sen. Flakoll- if the appropriation goes through and it is successful in its intent would that be a cause to continue the appropriation or to no longer need the appropriation in the next biennium?

Grayson Hoeberg- organic is not going away it is growing, so we need someone in the state to help educate people and help grow this industry. How it is funded is that most of these farmers do pay in, but at some point it does need to be funded. Whether it is through the general fund or not it needs to be funded we need to educate farmers, it is good for the farmers it is good for the communities.

Sen. Klein- one of your comments was that at the bakery level how flour baked bread differently, where is the difference?

Grayson Hoeberg- there are multiple differences, if you look at your package of wheat you will see that they mix barley in there most mills put in 30-40% barley into your flour. Barley sells for about half the price of wheat and reduces the cost of flour, you will not have as good of tasting of bread. On the organic side it is all pure and there is a dramatic difference in the texture, taste and look of the organic product.

Sen. Klein- and that is because?

Grayson Hoeberg- there is no spraying going into the grain during the production, no spraying killing down the grain right before they harvest, within the flour mill we have no pesticides to kill anything we use heat.

Brad Brummond, representing ND Organic Advisory Council, testified in favor of the bill. See attached testimony.

Sen. Erbele- your obviously having a premium price for your product, how are you currently funded? How do you see the money being expended if you were to receive it?

Brad Brummond- currently our organic advisory council is all donated time and money, the ND department of Agricultural has paid some little travel money. That is the challenge at this point we are not funded. ND organic advisory council has set up some priorities that we want to accomplish over the next several years, these priorities need to be carried forward, worked on and we need someone on the ground to some of what the ND organic advisory council recommends to help put some of these plans into action. We are looking for someone to help us with our goals.

Sen. Taylor- can extension play a larger roll or is this doing about what it is going to do, and is there more need to be a tailored and specific marketing and processing program through the Ag department?

Brad Brummond- right now extension is adding 7 agents that will be placed throughout the state.

Mary Mitchell, testifying in her own behalf, testified in favor of the bill.

Mary Mitchell- I am in support of this bill.

No opposition to the bill.

Sen. Flakoll closed the hearing.

Roll call vote 1: **Sen. Klein** motioned for a do pass to adopt amendments and was seconded by **Sen. Wanzek**, 7 yea 0 nay 0 absent.

Roll call vote 2: **Sen. Klein** motioned for a do pass as amended and to be rereferred to Appropriations and was seconded by **Sen. Wanzek**, 7 yea 0 nay 0 absent. **Sen. Heckaman** was designated to carry the bill to the floor.

REPORT OF STANDING COMMITTEE

SB 2335: Agriculture Committee (Sen. Flakoll, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2335 was placed on the Sixth order on the calendar.

Page 1, line 2, after "state" insert "; and to require a report to the legislative assembly"

Page 1, after line 11, insert:

"SECTION 2. REPORT TO LEGISLATIVE ASSEMBLY. The agriculture commissioner shall provide a written report to the senate and house of representatives agriculture committees before December 15, 2008, which must summarize activities undertaken by the agriculture commissioner pursuant to the appropriation in section 1 of this Act."

Renumber accordingly

2007 SENATE APPROPRIATIONS

SB 2335

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2335

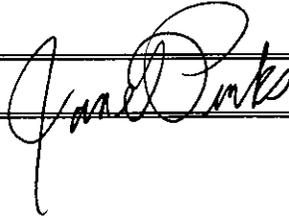
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02/13/07

Recorder Job Number: 3448

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on SB 2335.

Hacker , District 36, introduced SB 2335 discussing its purpose.

Brad Brummond, Chairman, ND Organic Advisory Council, Wells County Extension

agent, provided written testimony (1) together with other written testimony in support of SB 2335, discussing the goals and expected outcomes.

Duane Boehm, District 36, Farmer, Richardton, provided written testimony (2) in support of SB 2335.

Grayson Hoberg, Dakota Prairie Organic, Harvey, provided written testimony (3) in support of SB 2335.

Questions were raised about where organic products could be purchased in Fargo, if there is an organization where they could draw on funds to help them expand, whether this business would grow in the future,

Lowell Cowel, Organic Farmer, Harvey, testified in support of SB 2335.

Deana Weize, ND Pork Council testified in support of SB 2335, indicating she could certainly see the potential in marketing organic farm products.

Senator Krauter spoke indicating he had been to a food market in Tokyo and Seoul, Korea and they are clamoring for organic products, every question was about organic products.

Page 2

Senate Appropriations Committee

Bill/Resolution No. 2335

Hearing Date: 02/13/07

Senator Krebsback indicated there may be a great potential to put CRP in production into organic farming.

Chairman Holmberg closed the hearing on SB 2335.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2335

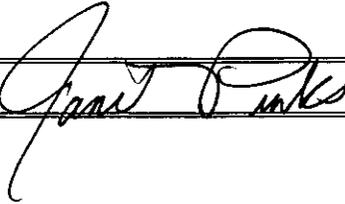
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-13-07

Recorder Job Number: 3455

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on SB 2335 which deals with expanding organic farming.

Senator Krauter indicated the issue is the funding mechanism which should be carryover dollars from APUC. I would like to have this say the funding source would be carryover dollars from APUC and replace general fund.

Chairman Holmberg asked if the committee was alright with voting on this amendment without it in front of them. The response was yes.

Senator Krauter moved the amendment, Senator Mathern seconded. Discussion took place. An oral vote was taken resulting in a do pass on the amendment.

Senator Krauter moved a do pass as amended on SB 2335, Senator Tallackson seconded. Discussion took place. A roll call vote was taken resulting in 8 yes, 5 no, 0 absent. The motion carried and Senator Heckaman will carry the bill.

Chairman Holmberg closed the hearing on SB 2335.

Date: 2/13/07
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2335

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP as amend

Motion Made By Krauter Seconded By Tallackson

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm		✓	Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm		✓	Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm		✓	Senator Tim Mathern	✓	
Senator Randel Christmann		✓	Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer		✓	Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach		✓			
Senator Rich Wardner	✓				

Total (Yes) 8 No 6

Absent _____

Floor Assignment Heckaman Ag

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

Krauter carry amend

REPORT OF STANDING COMMITTEE

SB 2335, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (8 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2335 was placed on the Sixth order on the calendar.

Page 1, line 6, replace "general" with "agriculture fuel tax"

Page 1, line 12, replace "general fund" with "estimated income"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment changes the funding source from the general fund to the agriculture fuel tax fund.

2007 HOUSE AGRICULTURE

SB 2335

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2335

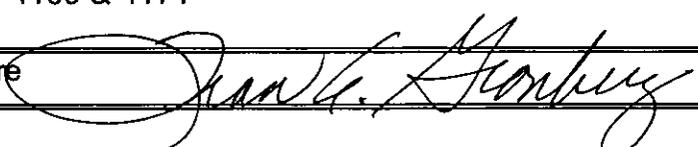
House Agriculture Committee

Check here for Conference Committee

Hearing Date: 3-1-07

Recorder Job Number: 4169 & 4171

Committee Clerk Signature



Minutes:

Chairman Johnson: Opened the hearing on SB 2335.

Duane Boehm, Richardton, ND: (testimony attached)

Rep Mueller: You referenced the growing demand for organic. Do you have any idea what the percentage is going up on a yearly basis?

Boehm: It is suggested that the growth is like 20%. I don't have the figures to document that, but someone else here probably does.

Mueller: How big is it in our state dollar wise?

No answer

Rep Belter: It has been the history of agriculture that when any sector of ag is profitable, and I'm assuming that organic food production is profitable, that generally more people get into the business than what the market would stand. I'm surprised that your industry would need to promote it. The profitability should make it grow rapidly.

Boehm: At this point this hasn't happened. There is an educational and mental process or mind set change when you switch from a conventional type to a new one. I'm one of two growers in my county. There is a time factor of 3 years to get from point A (started) to point B when you can be a certified producer. There is also a real financial change and also the

possibility of jeopardizing a farm operation. Needs to more education on the transitional process.

Rep Kingsbury: Do you benefit from research from the Wheat Commission or other areas?

Boehm: We do somewhat. Certainly if there are new varieties we are aware of those. In fact some of the research that was done on our farm was variety selections to see if in fact how they would survive in an organic environment.

Rep Belter: Does the extension service have anyone doing research in organic?

Boehm: More folks are looking at it and it's starting to move, but it's moving slowly.

Rep Vig: Does the wheat commission and others collect check offs from the organic farmers?

Boehm: In some cases they do and some not. It varies a lot.

Boehm: Boehm read a statement from Jim Bobb. (testimony attached)

Senator Urlacher, District #36: I introduced this bill on behalf of a farmer. I felt that this was a niche market. There was a need for some seed money. I talked them into cutting the money to a bare minimum, so it already went through the pains of cutting. I haven't had a lot of experience in organic farming. I am not a producer or a processor. My son is a project manager in Moorhead. They export products to Japan, and they handle organic products. This is not a niche market any more - it is a growing market! I think we need to allow a test run on this seed money to organize and get moving.

Rep Belter: What other programs are financed out of the agricultural fuel tax fund?

Rep Urlacher: I'll leave that up to some one else.

Grayson Hoberg, Dakota Prairie Organic Flour: (testimony attached)

Rep Belter: How much of a premium are you paying for the organic?

Hoberg: The fall contracts are going out right now are \$9.5 per bushel. This winter prices were from \$7.5 to #13 per bushel.

Belter: And that price is not attracting people into the industry?

Hoberg: It's attracting some but it is also an education process. There are no published prices out there readily available. Need education on what the pricing is doing, what it takes to grow and about yields and rotation.

Rep Vig: You mentioned 159 certified farmers. How does a person become certified?

Hoberg: There are about 20 certifying agencies that are certified under USDA to certify farmers. We go through ICS out of Medina. They do a very good job.

Rep Uglem: Do you have a website that shows what your bid prices are?

Hoberg: No we don't.

Lowell Kaul, Farmer Representing Himself, from Harvey, ND: I am farming because of organic farming. I began farming in 1975 and I farmed conventionally until 1986. I returned to farming in 1994 and farmed organically. And now I am making a living by farming organically and marketing small grains. I support this bill.

Brad Brummond, Chair, ND Organic Advisory Council: (testimony and industry statements attached)

Rep Headland: No body here has explained exactly what this bill is going to do? Is the funding level and salary for one person?

Brummond: Yes, it's for one person to do the legwork for the Council to carry out the initiatives we have put forward.

Rep Headland: What are the operating expenses?

Brummond: The operating expenses will be used to fund mileage, travel to quarterly meetings, and trying to get our operation set up. It's a process that takes time and money. Also need the money to carry out our initiatives.

Rep Headland: So that \$35,000 in operating expenses will be used to fund the travel of your committee?

Brummond: When you hire an FTE you need a support line to go with it. Some of the money will be for the support line and some will be for the advisory council.

Headland: So how is the advisory committee currently being funded?

Brummond: The ND Dept of Ag has helped fund it and has assigned some part time help.

Rep Kingsbury: Will the council be implementing a check off?

Brummond: Our numbers are too small to make any real money.

Rep. Belter: If this is a profitable business, why aren't current producers expanding?

Brummond: ND is kind of an anomaly in the US. The eastern and western are expanding rapidly. What is impeding ND growers is that it takes 3 years of transitioning to become an organic farmer. Have to understand the certification process, marketing concepts and you have to go through a mind switch. Education is the key.

Rep Mueller: Do other states fund a similar position?

Brummond: Each state is different. Minnesota have some people who work with the organic certification process. Montana doesn't have anything quite like what we are doing.

Rep Froelich: Have you approached APUC?

Brummond: No we have not. Our council is less than a year old.

Rep Vig: Organic industry is growing and the demand is on the coast and I was wondering in a dollar amount how large is the organic industry?

Brummond: \$13.8 billion. The Japanese are really interested in organic. They'll purchase as much as we can get.

Rep Kingsbury: Why haven't you approached APUC? Wouldn't it be a fit?

Brummond: We just haven't had the conversation. Maybe we overlooked that one.

Chairman Johnson: What part of the link is the weak link? Lack of production, or marketing or transportation.

Brummond: They need a constant supply and a high quality product. The Japanese are loyal customers, but if you can't do what you promised, they will go elsewhere.

Chairman Johnson: The organic growers in my area are frustrated because it is a whole new mindset with the lenders and everyone. If you have a load of grain you can't just take it too town until the processors can handle it.

Britt Jacobson, Consumer, Valley City: (testimony attached)

Mary Mitchell, Consumer: I am a consumer and am here to support this bill.

OPPOSING TESTIMONY

John Schneider, APUC: We do not oppose the organic industry. We oppose the funding mechanism. APUC helps fund value added products based on the merit of applications. We have supported the organic industry since the early 1990's. APUC doesn't fund positions. And we don't fund positions in state government. If the legislature feels that this is important, they should put an amendment in and tell us to do it. The Ag fuel tax fund is strictly for APUC and it's going down at an alarming rate. We started a \$1M, then \$500,000 and this biennium we are at \$350,000. We would like a Do Not Pass on this bill as it is written.

Rep Mueller: Does APUC finance other positions?

Schneider: We do not fund employees, or ED's. The exception is the ND Dairy Coalition's Executive Director. But we have not supported positions in state agencies.

Rep Kingsbury: Does APUC have the ability to do research for the industry?

Schneider: Yes. The research must be done with private partners or a research facility.

Brian Kramer, ND Farm Bureau: We echo the funding problem.

Chairman Johnson closed the hearing.

Chairman Johnson opened the discussion.

Rep Boe: Offered an amendment.

Rep Boe: Moved a Do Pass on the Amendment

Rep Vig: Seconded the motion

The Amendment did not pass

(Yes) 5 (No) 8 (Absent) 0

Rep Uglem: If the Ag Committee wants it, it should put it in the budget.

Rep Mueller: Our job is to support and promote agriculture. We should support this.

Rep Brandenburg: I think we should make some decisions too and not just pass it to the Senate.

Rep Onstad: It is a part of agriculture. We should promote this part of agriculture. It is an industry that has some abilities to move forward. If this is a one time deal, we could put a sunset on it. Not set the priorities here.

Chairman Johnson: If this is a growing industry, and it is growing, they should control their check off dollars from peas, lentils and corn, etc.

House Agriculture Committee

SB 2335Page 7

Bill/Resolution No. SB 2335

Hearing Date: 3-1-07

Rep Belter: I oppose it because I oppose organic farming. If people have to pay 20% more, that's their choice. What is going to happen to the poor? It means 10% less for education and some of the other areas.

Rep Kingsbury: I don't oppose the organic industry, but not out of APUC money.

Chairman Johnson closed the hearing.

Rep Belter made a Do Not Pass motion on the bill

Rep Headland seconded the motion

(yes) 10 (no) 3 (absent) 3

Carrier: Rep Brandenburgq

Date: 3/1/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House Agriculture

Committee

Check here for Conference Committee

Legislative Council Amendment Number 2335

Action Taken Vote on Amendment

Motion Made By Rep Boe Seconded By Rep Vig

Representatives	Yes	No	Representatives	Yes	No
Chairman Dennis Johnson		✓	Tracy Boe	✓	
Vice Chair Joyce Kingsbury		✓	Rodney Froelich	✓	
Wesley Belter		✓	Phillip Mueller	✓	
Mike Brandenburg		✓	Kenton Onstad	✓	
Craig Headland		✓	Benjamin Vig	✓	
Brenda Heller		✓			
John D Wall		✓			
Gerry Uglem		✓			

Total (Yes) 5 No 8

Absent 0

Floor Assignment /

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

*Rep Belter opposed the amendment
Rep Brandenburg opposed*

Date: 3/1/07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House Agriculture

Committee

Check here for Conference Committee

Legislative Council Amendment Number 2335

Action Taken Do Not Pass

Motion Made By Rep Belter

Seconded By Rep Headland

Representatives	Yes	No	Representatives	Yes	No
Chairman Dennis Johnson	✓		Tracy Boe	✓	
Vice Chair Joyce Kingsbury	✓		Rodney Froelich	✓	
Wesley Belter	✓		Phillip Mueller		✓
Mike Brandenburg	✓		Kenton Onstad		✓
Craig Headland	✓		Benjamin Vig		✓
Brenda Heller	✓				
John D Wall	✓				
Gerry Uglem	✓				

Total (Yes) 10 No 3

Absent 0

Floor Assignment Rep Brandenburg

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

REPORT OF STANDING COMMITTEE (410)
March 1, 2007 1:12 p.m.

Module No: HR-39-4194
Carrier: Brandenburg
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2335, as reengrossed: Agriculture Committee (Rep. D. Johnson, Chairman)
recommends **DO NOT PASS** (10 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING).
Reengrossed SB 2335 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

SB 2335

Support for Senate Bill # 2335

From: Duane Boehm
Richardton North Dakota

- Transitioned to organic production 20 years ago
- Produce hard red spring wheat, rye, field peas, buckwheat, millet and natural beef

Past (Perception)

- Niche market for hippies and yuppies
- Fad that would go away

Present (Facts)

- Consumer driven; growing food sector
- Consumers are selecting with their dollars - whom, where and how their food is grown and processed
- Demand is growing faster than production
- Value-added (trucking, cleaning, milling, packaging)

(Needs)

- Coordination between all stakeholders from field to table
- Crop and livestock specialists knowledgeable of organic production systems
- Improvement to risk management
- Education of lenders, research, extension of organic needs
- More organic producers to meet consumer demand

Summary:

Growth of the value-added organic food industry will benefit the North Dakota economy. Funding this bill would be a positive step toward growing the industry.

Support of Senate Bill 2335

*Same
given to
Senate
Agriculture*

Honorable Chairman Senator Tim Flakoll and Senate Agriculture
Committee members;

I support this bill; my name is Jim Bobb, Grain Division Manager for Southwest Grain a Division of CHS at Taylor, North Dakota. My primary job is to find markets yearly for over 25 million bushels of southwest North Dakota's spring and durum wheat.

Southwest Grain has never been involved in organic grains so why would I support such a proposal to explore and expand organic grains in North Dakota? Simply put it's what the customer is asking for and would compliment the current marketing system. Consumer demand for organic products is growing faster then production. Demand is not limited to human consumption but also feed ingredients for dairies and other organic grown livestock.

For human consumption the demand today is greater then supply, we currently have three domestic end-use customers asking for organic commodities on a regular basis, which at this time we cannot supply. I foresee a day when a 100-car train leaves town with a grocery cart of grain aboard meeting the destination mill or processor with both organic and conventional grain needs.

I believe this appropriation is a great and economical way to explore opportunities for our state's organic producers and processors.
Thank-you, Jim Bobb

Jim Bobb
jim.bobb@swgrain.com
w) 701-483-6212
f) 701-483-6213

Testimony for SB 2335

By Britt Jacobson
3620 117th Ave SE
Valley City ND 58072

February 2, 2007

Same given to
Dorise Agnew/Blue
3-1-07

As a consumer of organic foods, I am testifying on behalf of Senate Bill 2335 to create a position within the Department of Agriculture to expand certified organic food production and processing within the state.

Certified organic food made up 2.5% of the total U.S. food sales in 2005 with a value of \$13.8 billion in consumer sales¹. In fact, *Consumer Reports* states that organic foods are one of the fastest growing food categories in the food business with nearly two-thirds of U.S. consumers buying at least some organic foods in 2005². Organically certified products are now part of the mainstream grocery store market – both nationally and in North Dakota. Findings from a survey conducted by *Supermarket News* found 61% of the consumers who buy organic and natural foods purchase them in supermarkets³. My local grocery store in Valley City now carries a small selection certified organic produce.

As an organic consumer, I would like to source more of my food from local or regional producers and processors. However, due to the limited selection of organic food locally, I purchase much of my food over the internet from a west coast retailer who ships food to me once a month.

There are some significant obstacles for North Dakota organic producers marketing locally. For example, there is only one certified organic meat processing facility in the state – ND Branded Beef and Pack in Harvey, ND. Meat cannot be marketed as organic without being processed at an organically certified plant.

As a North Dakotan, I want to spend more of my food dollars to support North Dakota producers and North Dakota economies. Establishing a position within the Department of Agriculture to expand the number of certified organic producers and processors in North Dakota would help address these crucial challenges in the growing organic industry.

¹ Organic Trade Association. 2006. The OTA 2006 Manufacturer Survey Overview. Available at: <http://www.ota.com/pics/documents/short%20overview%20MMS.pdf>.

² Article available at: http://money.aol.com/consreports/smartshopping/home_garden/a/when-it-pays-to-buy-organic/20060112134909990001

³ *Supermarket News*, March 1, 2004.



Grayson Hoberg
 Dakota Prairie Organic
 500 North Street West
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(701) 324-4330
 grayson@dakota-prairie.com

February 1, 2007

Testimony for Senate Bill No. 2335

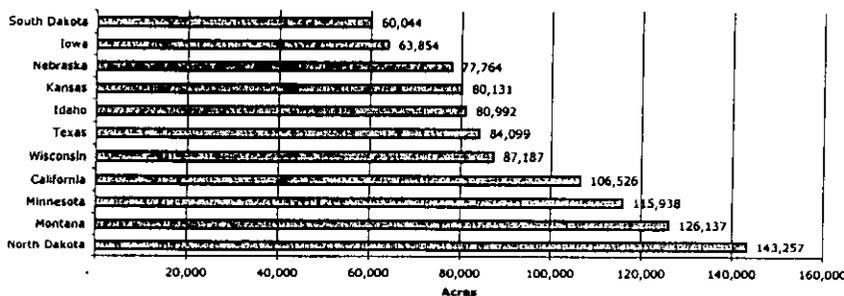
The state data in this document is from the USDA Economic Research Service, published on December 15, 2006 at <http://www.ers.usda.gov/Data/Organic/#statedata> and the consumer sales data is from the Organic Trade Association – OTA 2006 Manufacturer Survey.

Total Foods and Organic Foods Consumer Sales and Penetration, 1997-2005

	Organic Food (\$Mill)	Organic Food Growth	Total Food Sales (\$Mill)	Total Food Growth	Organic Penetration
1997	\$3,594	na	\$443,790	na	0.8%
1998	\$4,286	19.3%	\$454,140	2.3%	0.9%
1999	\$5,039	17.6%	\$474,790	4.5%	1.1%
2000	\$6,100	21.1%	\$498,380	5.0%	1.2%
2001	\$7,360	20.7%	\$521,830	4.7%	1.4%
2002	\$8,635	17.3%	\$530,612	1.7%	1.6%
2003	\$10,381	20.2%	\$535,406	0.9%	1.9%
2004	\$11,902	14.7%	\$544,141	1.6%	2.2%
2005	\$13,831	16.2%	\$556,791	2.3%	2.5%
2025 OTA Projection					26.4%

Organic consumer sales was \$13.8 billion in 2005 or 2.5% of total U.S. food sales. Since 1997, Organic foods have shown fairly consistent annual growth rates of 16% to 21%, while U.S. food sales have grown 1% to 5%. The organic consumer sales in Japan, Korea and Taiwan are 4% to 6% of their total food sales. Organic consumption is growing rapidly worldwide.

Top Producing Organic Crop States (excludes fruits & vegetables) - 2005



In 2005 North Dakota was the largest organic crop producing state. This does not count fruits and vegetables. 159 certified organic farmers accomplished this with an average of 901 acres. Organic farming is important for our rural communities and the small farms. It gives the farmer a way to make a living with a smaller farm.

	Acres	Rank	Largest State or Next Largest	
Flax	20,718	1	Montana	3,852
Oats	8,821	1	Minnesota	6,371
Buckwheat	2,367	1	Minnesota	2,136
Unclassified Beans	1,852	1	California	1,439
Sunflowers	1,372	1	South Dakota	1,314
Dry Peas & Lentils	3,823	2	Montana	9,060
Rye	2,031	2	Minnesota	2,136
Other Oilseeds	811	2	Utah	4,199
Hay, Silage	37,828	3	Idaho	54,389
Wheat	23,173	3	Montana	56,281
Unclassified crops	27,693	4	California	38,753
Millet	1,537	4	Nebraska	4,770
Dry Beans	1,009	4	Colorado	3,561
Rice	113	4	California	16,684
Barley	4,065	5	Idaho	11,946
Sorghum	280	5	California	1,959
Spelt	278	5	Michigan	3,677
Potatoes	190	6	California	3,431
Soybeans	2,970	12	Minnesota	26,591
Corn	2,070	14	Minnesota	20,822
Other Grains	459	14	New York	11,941

North Dakota leads the state in many organic crops and the farmers are diversified. The North Dakota farmers are hard working, they look for ways to reduce their risk and provide a living for their families. Even with our hard work we are behind in some areas, like wheat. Montana and Kansas grow more organic wheat than North Dakota.

Dakota Prairie Organic Flour is growing. In 2005, 7% of our sales were overseas. In October 2006, 50% of our sales were overseas. Last year we exhibited at 8 tradeshows and added 20 customers. This year we are exhibiting at 18 tradeshows. Nine are in Asia. We are growing, but as we grow we have trouble finding some of the crops that we need to meet the demand. Some of our competition are not taking on any new customers until this fall, because they can't find enough product to meet the demand. As producers we need more production.

Organic farming provides an economically viable alternative for our young farmers, our small farms, rural industry and our rural communities. North Dakota needs a resource dedicated to the Organic Industry to inform our farmers and processors about the opportunities and benefits of Organic.

Sincerely,



Grayson L. Hoberg
CEO

ORGANIC ADVISORY COUNCIL (SB 2335)
BRAD BRUMMOND

Members of the Senate Agriculture Committee, I come here today to testify in favor of Senate bill 2335. I am the chair of the North Dakota Organic Advisory Council. The North Dakota Organic Advisory Council consists of the different entities involved in organic agriculture in North Dakota. Its membership consists of organic farmers, organic industry, University, consumers, Department of Agriculture and organic certification groups. I hold the seat for the University system.

The North Dakota Organic Advisory Council came out of the ground breaking work of the Status of Organic Agriculture in North Dakota Report. A few of the recommendations were:

- Development of an Organic Advisory Council to provide input to the North Dakota Commissioner of Agriculture
- Participate in organic events
- Pursue strategic alliances with other states' departments of agriculture.
- Promote education of agricultural professionals about organics
- Create educational opportunities for processors
- Connect processors and producers
- Promote and encourage producers and processors interested in value-added organic processing.
- Promote and encourage research addressing the needs of organic producers

The North Dakota Organic Advisory Council has been formed. A chair has been selected, committees have been set and the council is now a functioning entity. In its brief history the Council has:

- It has been working on organic friendly language with Agricultural Commissioner Johnson for inclusion in the farm bill.
- It has an educational program developed and will begin training agriculture professionals this winter.
- It is working on making insurance more usable to organic producers.
- It is tackling organic weed control issues
- It is working on "growing the next generation of organic producers and industry"

It has become apparent over the less than a year the Council has been in existence that this is a huge undertaking. The Council is being asked to provide vision and support to grow an industry in North Dakota with little or no money. We will not be able to accomplish all that we see that needs to be done to make North Dakota's organic producers and industry a major supplier to the organic food movement sweeping the United States and world.

We are asking for a small investment in a high value industry that is made up largely of small farmers and growing North Dakota companies that are challenged to supply this rapidly expanding market.

I see this as a win-win situation for everybody in North Dakota. We all want to keep our farm families on the land. We all want to be able to explore profitable agriculture ventures that are just not organic. We all want our citizens to have a chance to participate in fast growing profitable ventures. We all want strong vibrant rural communities and schools. We all want growing North Dakota companies that provide employment opportunities to the citizens of our state.

If you call organic farming small, quaint, hippie type agriculture you must then call Wal-Mart a small, quaint, hippie type store. The question is "Will North Dakota be positioned to take advantage of this growing market or will someone else supply it?" I hope you can help us explore some of these new opportunities for North Dakota.

Can I answer any of your questions concerning my testimony?

INDUSTRY STATEMENTS
Senate Bill 2335

RICHLAND ORGANICS

Richland Organics is a ND company that was founded in 1999 to focus on organic and value added grain products. Currently, organic produced grains contribute to 40% of the total company sales. The company has grown from 2 employees to 14 full time positions plus seasonal positions which is significant contributions to our local economy. This is due to the region's organic farmers and industry. Richland is just one example of a successful value added agriculture business that has occurred in rural ND. Continued support of the ND organic industry is important for this region to participate successfully in the highest growth food in the United States.

Rick Brandenberger
CEO of Richland Organics

RED RIVER COMMODITIES

Red River Commodities is a North Dakota specialty grain processor for crops such as confection sunflower, millet and flax, to name a few. Organic products are also processed by our company and we are proud to be an organic certified processor for 18 years. Organic produced products have been gaining acceptance throughout the United States and world markets. The need for stable supply and consistent markets are critical to the long term success of this important industry. Red River Commodities wholeheartedly supports steps that can be taken to help growers, processors and customers alike in assisting the growth of the industry.

Bob Majkrzak

DAKOTA GROWERS PASTA COMPANY, INC

Dakota Growers Past Company, Inc. supports Senate Bill 2335.

The organic market offered good growth opportunities for Dakota Growers in 2006. Our organic durum grind at the Carrington mill was up 135% compared to 2005, which ranks the company first in United States organic semolina production. We believe our organic business will continue to grow in correlation with the current United States organic market trends, which climbed 16% over the past year. This can be attributed to consumers believing that organic foods are a healthier choice for their families.

Dakota Growers Pasta Co., Inc.

January 30, 2007

Joel W. Dick
Roman Meal Milling Company
Fargo, ND 58102

To Whom it May Concern:

Roman Meal Milling Company is a food processor that converts and blends raw cereal grains and seeds into multigrain mixes that are utilized in various products including bread, cookies, bagels, muffins, breakfast cereals, granola bars, French fries, tater tots, etc. Much of our business is directed at wholesale bakeries which use mixes made from conventionally-grown agricultural products. In addition to conventional grains, we also purchase organically-grown grains to satisfy the demand for organically-certified retail grocery products. Because of the relatively high cost of organic grains, it is imperative that we be able to source grains geographically near our manufacturing facilities in Fargo, North Dakota in order to remain competitive in the marketplace. It is also important that organic grains are available throughout the year to ensure a consistent, reliable supply once retail products have been developed and marketed. Inconsistent supply and quality of grain is one of the greatest challenges in trying to establish ongoing organic business. We welcome any efforts that will help establish a broader supply base for organic grains in North Dakota to minimize the year to year fluctuations in available supply.

Sincerely,

Joel W. Dick
Vice-president/Chief Operations Officer

RECOMMENDATIONS

Upon the request of the North Dakota Department of Agriculture, the following recommendations have been compiled from a variety of organic industry stakeholders in an effort to grow the organic food industry within the state of North Dakota.

Leadership

- **Development of an Organic Advisory Board.** In an effort to provide timely and pertinent information and input about the organic industry to the Commissioner of Agriculture, it is recommended that an Organic Advisory Board be created. This forum would give key stakeholders within the organic food industry a voice to identify their industry's on-going and specific needs. This model is used by several state agriculture departments including Minnesota, Iowa, California, Colorado, Montana, Texas and Wisconsin is currently developing an advisory council. Representation on this advisory board should include stakeholders from all aspects of the industry: organic producers, organic processors, organic distributor and/or retailer, organic trader, extension professionals, researchers conducting organic research, the state's Sustainable Agriculture Research and Education (SARE) Coordinator, non-profit organizations dealing with sustainable agriculture issues, and organic certification agencies. A task force of organic industry stakeholders should be formed to initiate the development of this advisory board in cooperation with the State Department of Agriculture.
- **Creation of a Status of Organic Agriculture in North Dakota Report.** This report will document the successes and challenges of the growing organic food industry in North Dakota. This report would be an educational document for the State Legislature as well as other entities interested in the organic food industry within North Dakota.
- **Participate in Organic Conferences and Events within North Dakota.** A variety of organic conferences and events are held within North Dakota each year. The Department of Agriculture's participation in these events lends credibility to the organic industry. It is an important opportunity to learn about specific needs from the organic industry in North Dakota.

Education & Information

- **Promote education of agricultural professionals about organics.** As one of the major sources of production information to farmers, County Extension Agents need to be educated about the basic principles of organic production. The Department of Agriculture is encouraged to work with the ND SARE Coordinator to develop opportunities to educate County Extension Agents and County Weed Boards about organic production practices and educational resources.

- **Create educational opportunities for processors regarding organic regulations.** There are many misconceptions about the regulations processors must meet to become organically certified. Many processors do not understand that they can use the same facilities to process both organic and conventional products. A workshop addressing these processing issues should be added to the Marketplace agenda.
- **Help promote organic foods through consumer and retailer education.** The Department of Agriculture already has a number of educational and informational resources for consumers and retailers. Adding organic designations and information to these guides would be a first step in increasing consumer and retailer awareness of organics in North Dakota.

Business & Market Development

- **Create a program to fund working capital for organic producer groups and/or processors.** While funding is available for initial market research and development through the APUC program, additional funding opportunities should be made available to help finance working capital for start-up companies and cooperatives, as well as for groups interested in expansion into the organic markets.
- **Help fund the creation of a program to connect processors and North Dakota organic producers.** One of the major challenges for organic producers is marketing their organic products. At the same time, processors site sourcing raw organic products as an obstacle. This idea is being modeled by the Minnesota Department of Agriculture. It would not have to be restricted to organic producers, but including organic products would be important.
- **Encourage farmers and producer groups to explore and pursue minor-use high-value crops and value-added business opportunities.** Raising minor-use high-value crops for specialty markets or processing specialty crops can be forms of diversification for organic and conventional farmers. These crops are usually raised on small acreages and have a high value. Though the markets are limited, the Department of Agriculture should highlight research being done on these specialty crops, their uses and the processors seeking these specialty products. This awareness raising could take place at Marketplace or other events targeting audiences specifically suited for the production of these specialty crops.
- **Help farmers and processors interested in value-added and organic processing to learn about the financial and business planning resources available to them in North Dakota.** There are resources available to individuals or companies interested in developing or expanding value-added and processing businesses. However, these resources can be a challenge to seek out. Certainly, the *Marketplace for Entrepreneurs Resource Directory* is an excellent resource and contains a variety of information for producers and processors. This resource should be more widely

promoted to producers and processors and should also be available as a searchable on-line directory. Additionally, a basic step-by-step summary of forming value-added and organic processing businesses should be available in print and on the Department's website.

Research

- **Promote and encourage research addressing the needs organic producers.** Just as different conventional farmers throughout the state have different research needs, organic producers also have different research needs than conventional farmers. To date, most organic producers have had to learn through a process of trial and error. It is critical to the success of the organic food industry that organic research on production techniques and variety trials be conducted. This may include facilitating the communication between producers who need the research and researchers willing to do the research.
- **Encourage and support research into minor-use, high-value crops.** While production of small acreages of specialty high-value crops could translate to any interested producer, there are a growing number of opportunities for this type of production in organic agriculture.

Technical Support

- **Form collaborative relationships with the Economic Research Service (ERS) and ND Ag Statistics to help track organic statistics and industry information in the state of North Dakota.** It is crucial for farmers and businesses to have access to accurate information about the organic food industry within the state for market research and development. Currently, very limited information is available about the organic food industry in North Dakota.
- **Develop a "Thinking about Organic" bulletin for conventional producers and processors interested in transitioning to organic production.** This resource will include contact information for certification agencies, a summary of organic marketing, organic production and research resources, sample cropping budgets and resources available to transitioning and organic farmers and processors. The Organic Advisory Board could help with the development of this tool.
- **Provide assistance publicizing organic events and information through the media and the Department of Agriculture's web site.** This is another way to educate consumers, processors and producers about the organic industry in North Dakota.

Testimony of Brad Brummond
North Dakota Organic Advisory Council
On
Senate Bill 2335

WHAT DO WE PLAN TO DO FOR THE MONEY?

Members of the Senate Appropriations Committee, I come here today to testify in favor of Senate bill 2335. I am the chair of the North Dakota Organic Advisory Council. The North Dakota Organic Advisory Council is made up of the different entities that are involved in organic agriculture in North Dakota. Its membership consists of organic farmers, Organic Industry, University, Consumers, Department of Agriculture and Certification groups. I hold the seat for the university system.

We need this money to hire on FTE for the biennium to carry out the work and coordination of the ND organic advisory council. We on the council will be working on moving the goals of the organic advisory council forward. The staff person would be leveraging the efforts of the individual council members' efforts.

These are our goals:

Carry out and coordinate the directives and efforts of the ND Organic Advisory Council

Promote education of agricultural professionals about organics

Help promote organic foods through consumer and retailer education

Help the creation of a program to connect processors and North Dakota organic producers.

Grow the next generation of organic farmers

Expected outcomes:

- * Make public more aware of organics in North Dakota
- * Expand the number of organic farmers
- * Help develop marketing strategies for ND companies selling organic products.

We have passed motions to bring organic friendly insurance into North Dakota, We are trying to build alliances with all the organic interests in the state and we are on the record for trying to coordinate our efforts with other statge's Dept. of Ag. These are just a few things that we will need someone other then the Council to spend the time to make these things happen.

Roman Meal, Dakota Growers Pasta, Richland Organics, Red River Commodities, SK Foods, Southwest Grain and Dakota Prairie are all fast growing agricultural companies

that are making significant contributions. In order to help them grow and add jobs to the ND economy we need to stabilize and increase their supply. You can't sell what you may or may not have.

We are sitting on a huge potential to expand with the CRP acres. We now have a certified meat packing plant with many organic farms having cattle that could be certified quickly if we could develop the market for it now that we have the slaughter facility.

If you call organic farming small quaint hippie type agriculture you must then call Wal-Mart a small quaint hippie type store. The question is will North Dakota be positioned to take advantage of this growing market or will someone else supply it? I hope you can help us explore some of these new opportunities for North Dakota. Can I answer any of your questions concerning my testimony?



February 1, 2007

To Whom It May Concern:

RE: Senate Bill No. 2335

As you may be aware, SK Food International, Inc. is a reputable import/export trading company and domestic bulk ingredient supplier. We supply a full line of Identity Preserved ingredients including Certified Organic and Conventional Non-GMO: dry beans, grains, seeds, soybeans, brans/germs, cocoa, flours, oils and vinegars, meals, sweeteners, rice products, fibers: Soy ProFiber, dehulled/split soybeans and instant/quick cook drum dried powders/flakes to a worldwide market.

We have seen an ongoing annual increase in demand for organic products, however the raw products are not keeping up with the demand. SK Food International purchases organic beans, grains and seeds from North Dakota and sells them worldwide. In fact, as of 2005 North Dakota was number two in the United States for organic cropland acres.

We believe North Dakota needs a resource that will allocate 100% of its time and funds to promoting and growing the organic industry within North Dakota. SK Food International proudly supports this bill.

Thank you for your consideration.

Respectfully,

Jennifer Tesch
SK Food International