

1999 HOUSE APPROPRIATIONS

HB 1419

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1419

House Appropriations Committee

Conference Committee

Hearing Date January 26, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-33.6
Committee Clerk Signature <i>Kathleen Jones</i>			

Minutes:

A BILL for an act to provide an appropriation for the marketing of agricultural products.

CHAIRMAN DALRYMPLE called the hearing for HB 1419 to order with all members present.

1A: 2.3 REP. PHIL MUELLER, District 24, testified in support of the bill and gave an overview.

1A: 4.4 ROGER JOHNSON, Commissioner of Agriculture, testified in support of the bill. (See attached testimony, "Building the Future of North Dakota Agriculture".)

1A: 12.6 DR. JOHN HANSON, Lab Director at Northern Great Plains Research Lab, testified in support of the bill. (See attached testimony.)

1A: 17.4 REP. DELZER asked if any of them were receiving any funds from the ND ag industry. Dr. Hanson said that all of their funds have been federal dollars.

1A: 23.5 REP. SVEDJAN how they arrived at the \$250,000 recommendation in the Section 2 of the bill. Mr. Johnson said that the figure came as a result of a number of people working on the issue together. It includes the cost of bringing in NDSU personnel and the operating expenses related to it.

1A: 25.5 REP. BYERLY asked about the funds that would be used for a website. Jeff Wisefling said that the funds would pay for continual maintenance of the website, along with marketing.

1A: 27.4 JOHN MELKE, Executive Secretary for the ND Public Service Commission, and the Director of the Grain Elevator Licensing Division testified on behalf of the agency, saying that the agency is not taking a position on the bill. He said that transportation is the number one cost to farmers, and that anything that can be done to research these issues would benefit the state and its farmers.

1A: 31.3 RICHARD SCHLOSSER, Lobbyist 306, ND Farmers Union, testified in support of the bill.

1A: 33.3 REP. SVEDJAN requested further information regarding the question he asked during the hearing. The information will be provided

1A: 33.6 CHAIRMAN DALRYMPLE adjourned the hearing for HB 1419.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1419

House Appropriations Committee

Conference Committee

Hearing Date 2/8/99

Tape Number	Side A	Side B	Meter #
2		x	0.0-2.5
Committee Clerk Signature <i>Kevin Hawk</i>			

Minutes:

(0.0) Chairman Dalrymple opened the hearing on HB 1419 in the Roughrider Room.

HB 1419 was moved as a DO NOT PASS.

Date: 2/8/99
 Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1419

House _____ Committee _____

Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DNP - Do Not Pass

Motion Made By Byerly Seconded By Carlisle

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple	X		Nichols		X
Vice-Chairman Byerly	X		Poolman	X	
Aarsvold	X	X	Svedjan	X	
Bernstein	X		Timm	X	
Boehm	X		Tollefson	X	
Carlson	X		Wentz	X	
Carlisle	X				
Delzer	X				
Gulleson		X			
Hoffner		X			
Huether	X				
Kerzman		X			
Lloyd	X				
Monson	X				

Total (Yes) 15 *Click here to type Yes Vote* No 5 *Click here to type No Vote*

Absent 0

Floor Assignment *Click here to type Floor Assignment* ~~Byerly~~ Lloyd

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

REPORT OF STANDING COMMITTEE (410)
February 8, 1999 3:48 p.m.

Module No: HR-25-2229
Carrier: Lloyd
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1419: Appropriations Committee (Rep. Dalrymple, Chairman) recommends **DO NOT PASS** (15 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1419 was placed on the Eleventh order on the calendar.

1999 TESTIMONY

HB 1419

Dr. Jon D. Hanson
Laboratory Director, Northern Great Plains Research Laboratory

1419

Mr. Chairman:

Agriculture is the only NECESSARY industry. We can survive without the other industries, but we can not survive without food. Yet to make sure that our agricultural system remains viable, we must be willing to invest in creative and adaptive research. Such research must include both livestock and cropping systems, including alternative crops. We at the USDA, ARS, Northern Great Plains Research Laboratory are committed to:

Developing economically sustainable and environmentally sound, integrated crop and livestock management systems for conservation and efficient use of natural resources; investigating plant-soil-water-animal interactions; developing soil, water, crop/forage, and nutrient management strategies; developing improved forage cultivars/germplasm; and disseminating information and technology to our customers in the Northern Great Plains.

Section 2 of the bill before you calls for the development of a joint venture between NDSU and the NGPRL for the purpose of expanding our mission to include value-added agriculture. We are very much in favor of the passage of this bill so that such a partnership can be further developed. I have already spoken to officials at the university concerning cooperative work. I believe such a partnership could be established to strengthen three aspects of our work.

1. Enhanced research capacity. ARS is a research organization and we are in the process of expanding our research capabilities at our lab by adding two scientists, one support scientist, and one postdoctoral fellow. With this additional support, we are dedicating ourselves to solving important agricultural issues. At the same time, we have limited resources and limited areas of expertise. Scientists and students at NDSU can compliment our research initiatives.
2. Customer focus. The new model for research in ARS is to develop close alliances with our customers to make sure the products we deliver are those that the producers need. Ties between NGPRL and the NDSU Extension Service would benefit both organizations by improving our focus.
3. Technology Transfer. We have as our final goal to transfer our science to our customers. In the past, ARS has let this happen rather casually. We would like to become more proactive. Strengthened ties between NGPRL and the NDSU Extension Service would help in furthering this cause.

As you can see, a joint venture between NGPRL and NDSU would enhance the capabilities of both institutions and would bring federal and state researchers together in a partnership that would seek to assist our region's farmers and ranchers as we enter the next millennium.

NORTHERN GREAT PLAINS RESEARCH LAB

PO Box 459, Mandan ND 58554

Phone: 701-667-3000

Fax: 701-667-3054

Website: www.mandan.ars.usda.gov

Scientific Staff:

Dr. John Berdahl, Research Plant Geneticist (Forages), (701) 667-3004, email: berdahlj@mandan.ars.usda.gov
Plant breeding and genetics of forage grasses and alfalfa.

Dr. Al Frank, Research Plant Physiologist, (701) 667-3007, email: franka@mandan.ars.usda.gov
Water and temperature stress, growth staging, and physiology of forage grasses, wheat, and barley.

Dr. Jon Hanson, Laboratory/Directory and Research Leader, Supervisory Rangeland Scientist, (701) 667-3010,
email: jon@mandan.ars.usda.gov
Rangeland ecology and range/cropland systems ecology

Dr. Jim Karn, Research Animal Scientist, (701) 667-3009, email: karnj@mandan.ars.usda.gov
Range animal nutrition and forage quality.

Dr. Joe Krupinsky, Research Plant Pathologist, (701) 667-3010 email: krupinsj@mandan.ars.usda.gov
Tan spot, Septoria, and common root rot diseases of wheat and forage grasses; effect of conservation tillage systems, crop rotation, fertility, and cultivars on diseases of wheat; selection of disease resistant forage grasses; and aggressiveness of fungi.

Dr. Steve Merrill, Research Soil Scientist, (701) 667-3016, email: merrils@mandan.ars.usda.gov
Soil erosion, crop root growth studies, and soil hydrology in conservation tillage systems.

Dr. Ron Ries, Research Rangeland Scientist, (701) 667-3018, email: riesr@mandan.ars.usda.gov
Disturbed land revegetation and management, plant establishment, grass seedling morphology and anatomy, and weed ecology and management.

Dr. Don Tanaka, Research Soil Scientist, (701) 667-3063, email: tanakad@mandan.ars.usda.gov
High residue management, dryland crop production systems, soil quality, and conversion of CRP to crop production.

STATUS OF BILLS ADDRESSING COFA INITIATIVES

(We have attempted to include all bills that seem to relate to COFA goals, objectives, action items)

Goal 1 MAKE NORTH DAKOTA SYNONYMOUS WITH HIGH QUALITY, DOMINATING THE PREMIUM MARKETS

	<i>Legislation</i>		<i>Status</i>	<i>Appropriation</i>
Products w comparative advantage	HB1484	Nowatzki	Hse. Appr. 1/26	\$ 20,000
Products w comparative advantage	SB2338	Tomac	Sen. Ag 1/29	\$ 20,000
Joint marketing of multiple brands	HB1484	Nowatzki	Hse. Appr. 1/26	\$ 80,000
Joint marketing of multiple brands	SB2338	Tomac	Sen. Ag 1/29	\$ 80,000
NDM model standards for wheat	HB1484	Nowatzki	Hse. Appr. 1/26	\$ 25,000
NDM model standards for wheat	SB2338	Tomac	Sen. Ag 1/29	\$ 25,000
Develop certifying standards and systems	HB1484	Nowatzki	Hse. Appr. 1/26	\$ 200,000
Develop certifying standards and systems	HB1476	Dalrymple	Hse. Appr. 1/26	\$ 50,000
Develop certifying standards and systems	SB2338	Tomac	Sen. Ag 1/29	\$ 200,000
Multi-state marketing commission	SB2356	Bowman	Sen. Ag 1/29	\$ 1,000,000
State meat inspection system	HB1290	Meyer	House Ag 1/21	\$ 330,125
Research regarding diseases	HB1484	Nowatzki	Hse. Appr. 1/26	\$ 2,365,000
Research regarding diseases	SB2338	Tomac	Sen. Ag 1/29	\$ 2,365,000
Research regarding diseases	HB1021	Governor	House App. 1/18	\$ 876,851
State funded research at 2% gross income	HB1483	Nowatzki	Introduced	\$ -
State funded research at 2% gross income	HB1484	Nowatzki	Hse. Appr. 1/26	\$ 1,465,000
State funded research at 2% gross income	SB2338	Tomac	Sen. Ag 1/29	\$ 1,465,000
Bench Marking product advantages	HB1484	Nowatzki	Hse. Appr. 1/26	\$ 75,000
Bench Marking product advantages	SB2338	Tomac	Sen. Ag 1/29	\$ 75,000
Expand technical assistance to producers	HB1484	Nowatzki	Hse. Appr. 1/26	\$ 150,000
Expand technical assistance to producers	SB2338	Tomac	Sen. Ag 1/29	\$ 150,000

Goal 2 INCREASE VALUE-ADDED AGRICULTURAL PROCESSING

	<i>Legislation</i>		<i>Status</i>	<i>Appropriation</i>
Tax incentives for investors in v-a processing	HB1402	Brandenburg	Hse. Fin.&Tax 1/26	?
Tax incentives for investors in v-a processing	HB1495	Stefonowicz	Introduced	?
Tax incentives for investors in v-a processing	SB2339	Tomac	Sen. Ag 1/29	\$ 1,650,000
Permanent funding source for APUC	HB1019	Governor	House App. 1/13	\$ -
Permanent funding source for APUC	SB2339	Tomac	Sen. Ag 1/29	\$ 500,000
APUC negotiate repayment	HB1019	Governor	House App. 1/13	\$ (40,000)
APUC negotiate repayment	SB2339	Tomac	Sen. Ag 1/29	\$ (40,000)
Create equity fund for v-a processing	SB2339	Tomac	Sen. Ag 1/29	\$ 2,000,000
Mutual fund capital pool for ag processing	SB2339	Tomac	Sen. Ag 1/29	\$ 100,000
PACE incentives for v-a processing projects	HB1015	Governor	House App. 1/12	\$ 2,000,000
PACE incentives for v-a processing projects	SB2339	Tomac	Sen. Ag 1/29	\$ 1,000,000
Value-added ag center	HB1021	Governor	House App. 1/18	\$ 140,000

Goal 3 DIVERSIFY AND INCREASE THE VALUE OF AGRICULTURAL PRODUCTION

	<i>Legislation</i>		<i>Status</i>	<i>Appropriation</i>
State partnership in NGreatPlains Research	HB1419	Mueller	Hse.Appr. 1/26	\$ 250,000
State partnership in NGreatPlains Research	SB2340	Tomac	Sen. Ag 1/28	\$ 250,000
Expand Beginning Farmer Program	HB1047	Leg. Council	House Ag 1/14	\$ -
Expand Beginning Farmer Program	HB1015	Governor	House App. 1/12	\$ 79,000
DOT strategic plan for ag transportation	HB1419	Mueller	Hse.Appr. 1/26	\$ 75,000
DOT strategic plan for ag transportation	SB2340	Tomac	Sen. Ag 1/28	\$ 75,000
HVICTF/NDSU strategic plan for irrigation	HB1021	Governor	House App. 1/18	\$ 356,183
HVICTF strategic plan for irrigation	HB1476	Dalrymple	Hse. Appr. 1/26	\$ 75,000
HVICTF strategic plan for irrigation	SB2340	Tomac	Sen. Ag 1/28	\$ 75,000
Irrigation district finance program	HB1281	Berg	Fin&Tax 1/19	?
Ag marketing web site	HB1419	Mueller	Hse.Appr. 1/26	\$ 20,000
Ag marketing web site	SB2340	Tomac	Sen. Ag 1/28	\$ 20,000
Expand AgPace	HB1015	Governor	House App. 1/12	\$ 1,100,000
Expand AgPace	HB1476	Dalrymple	Hse. Appr. 1/26	\$ 2,000,000
Value-added animal production/safe food	HB1021	Governor	House App. 1/18	\$ 835,798
Research new, emerging crops, lvstk, processing	HB1021	Governor	House App. 1/18	\$ 1,112,636
Increase animal ag--dairy diagnostic	HB1425	Boehm	Hse. Appr. 1/26	\$ 200,000

Goal 4 INCREASE FARM AND NON-FARM COOPERATION THAT SUPPORTS THRIVING RURAL COMMUNITIES AND ENHANCE LOCAL RESOURCES

	<i>Legislation</i>		<i>Status</i>	<i>Appropriation</i>
Adequate funding for ag education	HB1020	Governor	House App. 1/19	\$ -
Adequate funding for ag education	SB2341	Tomac	Sen. App. 1/29	\$ 315,000
Expansion of Adult Farm Management	HB1020	Governor	House App. 1/19	\$ -
Expansion of Adult Farm Management	HB1434	Nichols	Hse. Appr. 1/26	\$ 75,000
Expansion of Adult Farm Management	SB2341	Tomac	Sen. App. 1/29	\$ 585,000
Tuition rebates for university students	SB2341	Tomac	Sen. App. 1/29	\$ 200,000
Improved Ag in the Classroom	SB2009	Governor	Sen. App. 1/18	\$ 71,000
Improved Ag in the Classroom	SB2341	Tomac	Sen. App. 1/29	\$ 150,000
Expand 4-H and FFA	HB1020	Governor	House App. 1/19	\$ -
Expand 4-H and FFA	SB2341	Tomac	Sen. App. 1/29	\$ 106,000
Mid-sized farms strategies	HB1021	Governor	House App. 1/18	\$ 201,416

COMMISSION ON THE FUTURE OF AGRICULTURE

**Goal 5 CREATE A POLITICAL, REGULATORY, ECONOMIC, TRADE, FINANCIAL,
AND NATURAL RESOURCE ENVIRONMENT IN WHICH NORTH DAKOTA PRODUCERS
CAN COMPETE IN THE GLOBAL MARKETPLACE**

	<i>Legislation</i>		<i>Status</i>	<i>Appropriation</i>
State aid distrib. at 0.6% over ten years	HB1481	Warner	Introduced	\$ 6,000,000
State aid distrib. at 0.6% over ten years	SB2337	Tomac	Introduced	\$ 6,000,000
State aid distrib. at 0.6% over ten years	HB1254	Hoffner		
State aid distrib.	SB2105	Tax Commissioner	Hse. Appr. 1/25	?
State foundation aid at 60% over ten years	SB2337	Tomac	Introduced	\$ 9,500,000
Provide property tax relief--tobacco	HB1475	Dalrymple	Hse. Appr. 1/25	?
Provide property tax relief--cap. rate	SB2053	Legislative Council	Sen Fin. &Tax 1/12	?
Provide property tax relief--cost of production	SB2054	Legislative Council	Sen. Cal.--DP	?
Provide property tax relief--priv.tax on certain chem.	HB1360	Lemieux	Hse. Fin.&Tax 1/25	?
Provide sales tax relief--farm parts	HB1487	Belter	Introduced	\$ 2,200,000
Provide sales tax relief--farm mach., parts, irrigation	SB2217	Christmann	Sen Fin. &Tax 1/20	\$ 9,700,000
Ease impediments of existing pesticide regs	HB1252	Brandenburg	House Ag 1/21	NA
Ease impediments of existing pesticide regs	HCR3014	Brandenburg	Hse. Ag 1/28	NA
Tax abatements for beginning farmers	HB1053	Legislative Council	P. House, Intro Sen.	?
Tax abatements for beginning farmers	SB2337	Tomac	Introduced	?
Tax abatements for beginning farmers	HB1394	Mueller	Hse. Fin.&Tax 1/26	
Lvstck. bldngs. exempt from property tax	HB1054	Legislative Council	Sen.Fin.&Tax 1/19	?
Change "farmer" definition for res.exempt.	HB1363	Renner	Hse. Fin.&Tax 1/25	?
Change "farmer" definition for res.exempt.	HB1488	Lundgren	Introduced	?
Change "farmer" definition for res.exempt.	SB2337	Tomac	Introduced	?
Ease restrictive trade regulations--wheat	HB1399	Nicholas	Hse. Ag 1/28	?
Ease restrictive trade regulations--RCALF	HB1465	Lundgren	Hse. Appr.1/26	\$ 150,000

Building the Future of North Dakota Agriculture



*“The trusted
provider of
the highest
quality food
in the world!”*

Commission
on the Future
of Agriculture
1998

Introduction

Dear friends,

North Dakotans are a special breed of people! In the midst of low prices, disease, poor yields, winter storms and spring flooding, you didn't quit—you persevered. Your positive attitude, participation and suggestions have helped the Commission on the Future of Agriculture do its work successfully.

In the fall of 1997, as we were beginning the slow recovery from the many disasters of the previous winter and spring, Agriculture Commissioner Roger Johnson called us together to start a discussion about what needed to be done to help North Dakota agriculture, our state's #1 industry. He told us he wanted representation from Farm Bureau and Farmers Union (the state's two largest farm organizations), the North Dakota Association of Rural Electric Cooperatives, and North Dakota State University. We all gladly joined the effort as the steering committee.

We recognized that the agricultural economy of the state could not be left to chance. We had to do something, since 25 percent of our state's population is employed directly by agriculture or in an agriculture-related business. Ninety percent of North Dakota's land area consists of farms and ranches, and agricultural production and manufacturing make up more than 37 percent of North Dakota's economic base. We acknowledged that the business of agriculture is changing and that we need to change with it. The ques-

tion was: How do we make those changes profitable for our agricultural community?

Our first step toward finding that answer was to establish the 15-member Working Group in November 1997. We asked these individuals to contribute a significant amount of time and energy during the next seven months to answering two questions:

- ◆ What do we want North Dakota agriculture to look like in the future?
- ◆ What are we going to do to get there?

We then created the Commission on the Future of Agriculture, comprised of over 60 agricultural and rural organizations and agencies. This group met for the first time in January and set the process in full motion, with funds provided by Attorney General Heidi Heitkamp as the result of the settlement of a multi-state legal action.

More than a thousand of you have been involved in this process from the first public forum at Marketplace '98 on Jan. 8, through 20 other forums held around the state. You attended those forums to hear what others had to say and to make significant contributions to the list of recommendations.

As a result of those forums and after considerable discussion by both the Working Group and the Commission, we have identified the direction in which we believe North Dakota agriculture must move. On June 5, 1998, the Commission on the Future of Agriculture overwhelmingly approved this plan,

which is truly an investment in the future.

The recommendations identified in "Building the Future of North Dakota Agriculture" will require action from a variety of sources including Congress, the State Legislature, federal and state government agencies, local political subdivisions, private companies, and you—the citizens of North Dakota. Those of us who have been involved in this effort thought that you would want to know the current state of our #1 industry and plans for its future.

The hardest work is yet to come—implementation—when we turn our vision of the future and our 54 recommendations into reality. That's Phase II, our next step: making it all happen. There is a part for you to play in it; we certainly hope that you'll join us!

The significance of the Commission's efforts is not what is written on the following pages, but rather, what will happen because of its work. We hope that you will talk to your friends and neighbors about what we're recommending and call us if you have any questions or comments.

Finally, please remember that this is simply a blueprint for building the future of North Dakota agriculture. It is not a finished product, but rather, it is a work in progress.

Sincerely,

The Steering Committee of the Commission on the Future of Agriculture

Pictured left to right: Dennis Hill, Executive Director, N.D. Assn. of Rural Electric Co-ops; Robert Carlson, President, N.D. Farmers Union; Howard Schmid, Past President, N.D. Farm Bureau; Roger Johnson, N.D. Commissioner of Agriculture, and Pat Jensen, Vice President - College of Agriculture, N.D. State University





C O N T E N T S

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"Building the Future of North Dakota Agriculture," the Final Report and Action Plan of the Commission on the Future of Agriculture. Published in cooperation with "North Dakota REC/RTC Magazine," the monthly magazine of the state's rural electric cooperatives and rural telephone cooperatives. For more information on COFA, contact N.D. Department of Agriculture, 600 East Blvd. Ave., Department 602, Bismarck, N.D. 58505-0020; ph: (800) 242-7535. For information on the "North Dakota REC/RTC Magazine," contact the magazine at: P.O. Box 727, Mandan, N.D. 58554-0727; ph: (701) 663-6501; fax: (701) 663-3745; e-mail: kbrick@ndarec.com; or see the web site: <http://www.ndarec.com>. Cover note: The Celley family—Roland and Tammy, young Aaron and Alison, and their dog, "Dude," farm near Regan, N.D.



Vision



"The commission's work is detailed and far-reaching. In many aspects, it is nothing short of visionary. It should be taken seriously because it contains the seeds of a new, diversified and invigorated agricultural sector."

The Forum, June 14, 1998

Our vision of the future is:

That North Dakota becomes *the trusted provider of the highest-quality food in the world* with:

- ◆ Prosperous family farms;
- ◆ Thriving rural communities, and
- ◆ World-class stewardship of resources.

The Commission recognizes that North Dakota's agricultural commodities are also used as raw materials for processing into fiber, energy, and other industrial products as well as food products. However, there is value in adopting a vision statement that is bold, compelling, and easy to remember. We believe the phrase, "... the trusted provider of the highest quality food in the world ..." is a crisp vision statement that can capture the imagination of industry participants and motivate them to take the actions needed to make the vision become reality.





Mission

To significantly increase net farm income, improve the quality of rural life, and increase North Dakota's rural population.



Goals, Objectives and Actions



The following goals are designed to enable North Dakota to fulfill its vision and to achieve its mission.

Goal 1

Make North Dakota agricultural products synonymous with high quality, dominating the premium markets.

Goal 2

Increase value-added agricultural processing.

Goal 3

Diversify and increase the value of agricultural production.

Goal 4

Increase farm and non-farm cooperation that supports thriving rural communities and enhances our natural resources.

Goal 5

Create a political, regulatory, economic, trade, financial, and natural resource environment in which North Dakota producers can compete in the global marketplace.



Specific objectives and action steps for each goal:

Goal 1

Make North Dakota agricultural products synonymous with high quality, dominating the premium markets.

Objective 1

Develop a recognized family of brands that provides commensurate net returns.

- a. We recommend initial efforts be directed toward those products for which North Dakota has the greatest comparative advantage.

"The report is must reading for any farmer or rancher who wants to survive and see his farm or ranch passed on to future generations."

Farm and Ranch Guide, June 19, 1998

- b. We recommend that cost-effective joint marketing be undertaken as multiple brands become viable or marketing pools of differentiable products can be identified.

Objective 2

Establish, promote, and implement internationally recognized standards of product quality and processing excellence that can be certified by an independent entity.

- a. We recommend that the North Dakota Department of Agriculture promote the cooperation of appropriate certifying agencies with all relevant producer and processor groups to develop standards for their products and to develop systems for monitoring adherence to these standards.
- b. We recommend that the North Dakota Mill and Elevator establish a model for developing standards for wheat.

Objective 3

Conduct the necessary animal and crop research to differentiate and market high

quality crop and livestock products from North Dakota.

- a. We recommend that the U.S. Congress and the State Legislature provide adequate research funding to North Dakota for emerging diseases of plants and animals.
- b. We recommend that public support for research related to crops and livestock grown in North Dakota be gradually increased to 2 percent of gross farm income to the state.
- c. We recommend that a major bench-marking effort be undertaken for key North Dakota agricultural products so as to quantify the greatest product advantages and areas requiring augmentation.

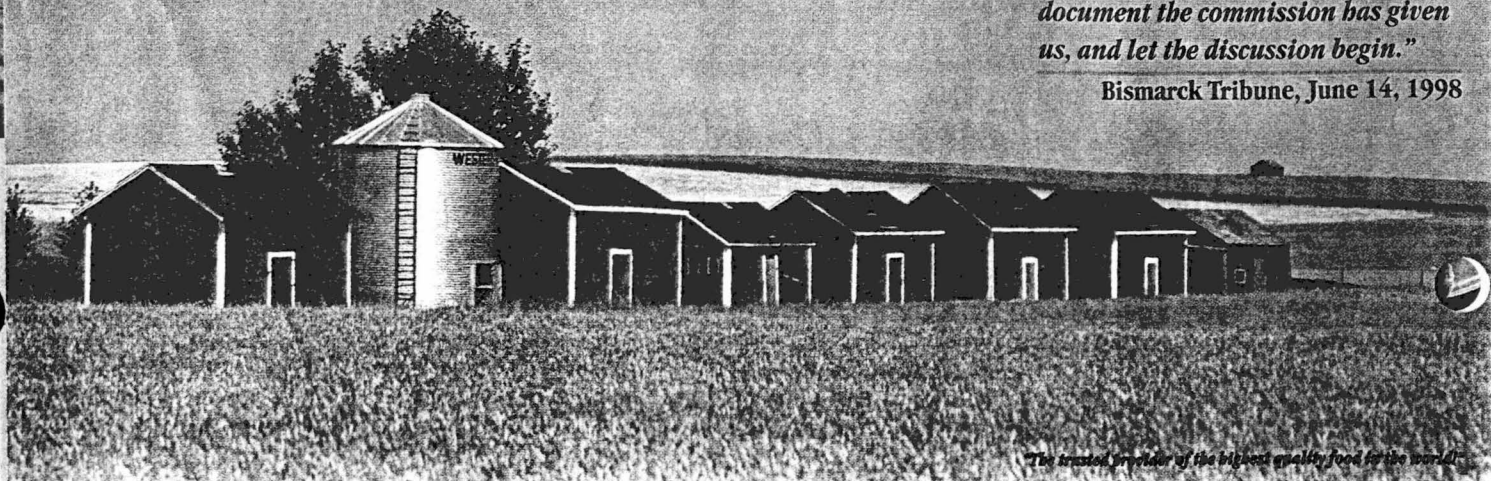
Objective 4

Get producers to buy equity in and commit production to North Dakota-based processing and marketing enterprises.

- a. We recommend that the Cooperative Development Center technical assistance services to producers be strengthened and expanded. ♦

"Let us ponder the rather remarkable document the commission has given us, and let the discussion begin."

Bismarck Tribune, June 14, 1998



The trusted provider of the highest quality food for the world.



Goal 2

Increase value-added agricultural processing.

Objective 1

Provide and promote opportunities for producers to invest in value-added agricultural processing through incentives.

- a. We recommend that the U.S. Congress and the North Dakota Legislature provide tax incentives for investors in value-added agricultural processing.

Objective 2

Improve and strengthen the Agricultural Products Utilization Commission (APUC).

- a. We recommend that the legislature assure a permanent funding source to support value-added research and development through APUC.
- b. We recommend that APUC remain under the control of farmers, with six appointed members to be selected from names recommended by agricultural organizations.
- c. We recommend that APUC be able to negotiate repayment of grants through preferred stock, intellectual property, and other methods.
- d. We recommend that APUC assist in the commercialization of innovations and patentable technologies discovered in publicly assisted research.



Objective 3

Provide and promote favorable finance programs for value-added agricultural processing businesses.

- a. We recommend improvements in the cooperative stock purchase program to include stronger incentives for low-equity farmers and improved loan terms for other farmers.
- b. We recommend the creation of an additional capital fund, partly funded by profits from the Bank of North Dakota, to make equity investments in value-added agricultural ventures within the state.

Objective 4

Promote innovative financial tools for non-farm North Dakota residents to invest in value-added agricultural processing projects with their farmer neighbors.

- a. We recommend that a mutual fund capital pool be developed to attract

farm and non-farm investments in North Dakota value-added processing projects.

- b. We recommend that existing cooperatives be encouraged to create and capitalize a fund to be used to encourage farmers to invest in diversification and value-added projects.

Objective 5

Locate value-added food businesses in rural areas, where economically feasible and sustainable, with a high preference for North Dakota locations.

- a. We recommend that the legislature appropriate funds for a targeted Partnership in Assisting Community Expansion (PACE) program with lower matching requirements for value-added processing projects. ♦





Goal 3

Diversify and increase the value of agricultural production.

Objective 1

Develop and implement an aggressive plan for increasing animal agriculture within the state.

- a. We recommend that the 1999 legislature change the farm property tax structure to encourage investment in animal agriculture facilities.
- b. We recommend the promotion of value-added animal agriculture production, including quality assurance standards and safe food animal processing. We recommend that the state government explore the possibility of creating a partnership with the USDA Northern Great Plains Research Center to expand its mission to include this component.
- c. We recommend significant local and state involvement in the formulation and implementation of appropriate environmental regulations.

Objective 2

Focus research on new and emerging crops, livestock species, and appropriate technology that is suitable for production

and processing of food, fiber, energy, and other industrial products.

- a. We recommend that research be conducted in partnership with land grant universities, industry, farmers and non-profit organizations. The results of this research should be disseminated in a format that will optimize its use among farmers and processors.

Objective 3

To retain the ownership and control of production agriculture in the hands of family farms.

- a. We recommend that the North Dakota Legislature strengthen the family farming statute by allowing the number of possible shareholders related in some way to the "farmer" (as stated in the statute) to be increased to 30 members. We support the spirit and intent of North Dakota's family farming statute, which was established to preserve and maintain farm ownership and control in the hands of family farmers. The law should also make some allowances for no more than two full-time unrelated (to the "farmer") employees of the family corporation to become members of the farm family corporation. To qualify for such inclusion, the employee must have at least three years employment history with the family farm corporation, and upon leaving the employment of the farm,

the employee would be required to liquidate his/her shares.

Objective 4

Reduce transportation costs for North Dakota agricultural commodities and food products.

- a. We recommend that the State Legislature appropriate funding to the Department of Transportation to analyze methods of reducing transportation costs of North Dakota produced and processed commodities and products and to develop a strategic transportation plan for the state.
- b. We recommend that the State Department of Transportation harmonize requirements among North Dakota, other states, and Canadian provinces.

Objective 5

Create and implement an aggressive plan to develop and conserve water resources within the state.

- a. We recommend that the formulation of a strategic plan for economic development through irrigation be prepared by the High Value Irrigated Crops Task Force, in cooperation with NDSU, with state funding.
- b. We recommend that the USDA Northern Great Plains Research Center establish a Dryland Farming Institute to develop more drought-resistant crops and moisture-conserving farming practices.

Objective 6

Establish an agricultural marketing web site to link buyers and sellers of North Dakota produced and processed commodities and products.

- a. We recommend that the North Dakota Department of Agriculture establish and maintain a user-friendly web site that can be accessed by all North Dakota producers and processors as well as domestic and international buyers. ♦





Goal 4

Increase farm and non-farm cooperation that supports thriving rural communities and enhances our natural resources.

Objective 1

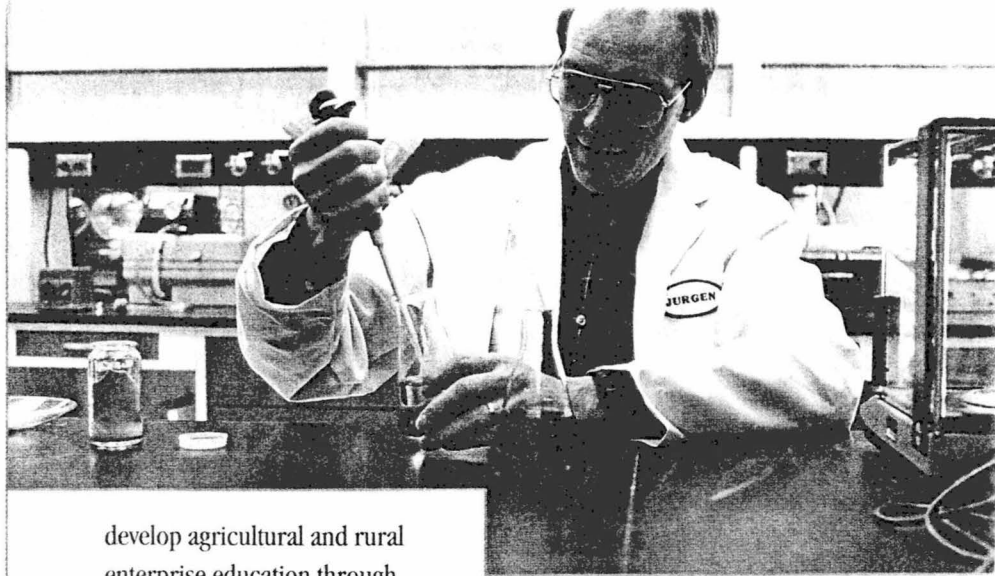
Increase the connectivity to and availability of information in rural communities.

- a. We recommend that the North Dakota Legislature provide incentives to establish an advanced telecommunications network that provides affordable service to all areas of the state.

Objective 2

Develop broad-based support for agricultural education from elementary through adult levels.

- a. We recommend that the North Dakota Legislature provide adequate funding for agricultural education at the post-secondary level as well as for establishing vocational education courses in high schools.
- b. We recommend that the North Dakota Legislature provide adequate funding to the Board for Vocational Education:
 - ◆ To support as many adult farm management programs as demand requires;
 - ◆ To support the expansion of the curriculum to emphasize marketing education for farmers;
 - ◆ To encourage the creation and expansion of marketing clubs as adjuncts to new and existing Adult Farm Management Programs, and
 - ◆ To align the Extension Service, the Board for Vocational Education, and the university system to



develop agricultural and rural enterprise education through electronic means such as e-mail, internet web sites, and interactive video network classes.

Objective 3

Design and implement entrepreneurial and work force recruitment and training incentive programs which will retain and attract people to rural North Dakota communities.

- a. We recommend a program of tuition rebates in partnership with local communities for university system students who work in rural North Dakota for a minimum of five years following graduation.
- b. We recommend that Job Service North Dakota expand its prospect list by lending its support to "Project Back Home" to increase the impact of the program statewide.

Objective 4

Provide for a work force that has a vested interest in the business.

- a. We recommend that the legislature explore potential tax incentives which would encourage greater participation by North Dakota employees in agricultural business ownership.

Objective 5

Increase the awareness of the significance of agriculture to the state of North Dakota.

- a. We recommend that the North Dakota Legislature provide adequate funding for the Ag in the Classroom program to educate the state's children on the vital importance of agriculture in their lives and in the state's economy.
- b. We recommend the continued funding, at current or increased levels, of 4-H and FFA programs.

Objective 6

Increase the appreciation of the importance of stewardship of our natural resources in the production of high-quality food.

- a. We recommend the use of incentive-based conservation programs that are voluntary and that include annual payments to farmers to encourage greater use of natural resources by the public.
- b. We recommend the development of a teaching and learning curriculum for adults and school-age children that presents the production ethic that balances agricultural production and environmental concerns.◆

"Everybody ought to read the final report of the Commission on the Future of Agriculture...Its blueprint for a prosperous and self-sufficient future is the boldest and most comprehensive in 80 years..."

Bismarck Tribune, June 14, 1998

Goal 5

Create a political, regulatory, economic, trade, financial, and natural resource environment in which North Dakota producers can compete in the global marketplace.

Objective 1

Provide immediate tax relief for producers, focused on a more favorable property and income tax structure for agricultural producers.

- a. We recommend that Congress enact modifications to the tax law to permit the \$500,000 exemption in capital gain tax on residences to be applied to farms and small business real estate. A five-year minimum ownership is also suggested to prevent speculation in farmland.
- b. We recommend that the U.S. Congress

"In order to be fully implemented it needs support, beginning at the grass-root level on up to the legislatures on both the state and federal levels..."

Farm & Ranch Guide, June 19, 1998

provide additional estate tax exemptions to farm real estate transferred within families.

- c. We recommend that Congress allow farmers to purchase, own, and operate farm real estate with tax deferred retirement funds.
- d. We recommend that the state create a property tax structure which encourages on-farm living, well-kept buildings, and state-of-the-art, environmentally friendly production facilities.
- e. We recommend that Congress extend and expand income tax provisions to enable agricultural producers to utilize Income Averaging, the Investment Tax Credit, and 100 percent health insurance premium deductibility.
- f. We recommend tax abatements for beginning farmers similar to tax abatement programs for other beginning small businesses.
- g. We recommend that facilities used to grow or raise any unprocessed agricultural product be exempted from property tax.
- h. We recommend reducing dependence

on property taxes and increasing dependence on state revenue source. Furthermore, we recommend that:

- ◆ State Aid Distribution be funded at 0.6 percent of statewide taxable sales;
 - ◆ State Foundation Aid be increased to 60 percent of the statewide per pupil cost for education, and
 - ◆ A related decrease in property taxes by local political subdivisions be implemented.
- i. We recommend that the 1999 North Dakota Legislature adopt changes in the definition of "farmer" for determining residential exemptions for property tax from a definition based on the percent of family income derived from farming to "whose gross farm income exceeds off-farm income."

Objective 2

Improve the lending environment for agriculture.

- a. We recommend changes in the lending practices of the Bank of North Dakota and Farm Service Agency (FSA) for improved beginning farmer and first-time farm purchases. Beginning farmers should be afforded incentives similar to lending programs for beginning small businesses in other industries. We recommend that the Bank of North Dakota increase its beginning farmer loan limit from \$100,000 to \$150,000.
- b. We also recommend that:
 - ◆ FSA intensify its efforts to help beginning farmers and make every effort to reduce burdensome paperwork;
 - ◆ The FSA director take immediate action to implement the line-of-credit loans authorized in section



614 of the 1996 Farm Act. Line-of-credit loans should be used for all routine and recurring operating loans using either direct or guaranteed authorities;

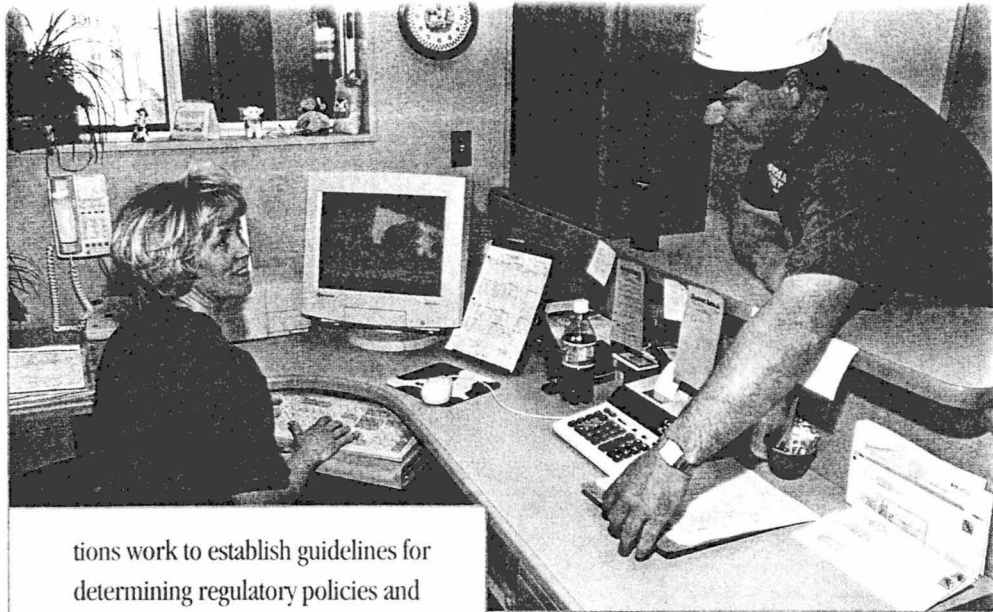
- ◆ The FSA administrator give the highest priority to the immediate establishment of regulations to fully implement the “Preferred Lender” and “short form application” for operating loans under \$50,000 as required under the 1992 Agriculture Credit Act amendments;
- ◆ Congress authorize the Farm Service Agency to guarantee tax-exempt First Time Bonds used to make loans to beginning farmers and ranchers. These bonds should be allowed for use in seller-financed transactions between family members, and
- ◆ FSA increase its lending limits.

Objective 3

Ease or eliminate restrictive regulatory burdens.

- a. We recommend easing impediments caused by existing pesticide regulations through:
 - ◆ Increasing resources and efforts of the U.S./Canada Technical Working Group (TWG) on Pesticides to harmonize pesticide regulations in the two countries;
 - ◆ Committing more resources and efforts to establishing tolerances for pesticides registered for use in Canada but not in the United States, and
 - ◆ Exerting a greater effort to accept registration data currently accepted by Canadian officials in support of Canadian registrations.

- b. We recommend that farm organiza-



tions work to establish guidelines for determining regulatory policies and specifications, including environmental bonding where warranted, that balance the need for agricultural production and preservation of North Dakota's valuable natural resources. These guidelines should be shared and coordinated with environmental, consumer, and regulatory groups.

Objective 4

Reduce non-farm competition with individual farmers and ranchers for land acquisition including government agencies and non-profit organizations.

- a. We recommend that agricultural organizations in conjunction with the North Dakota Association of Counties and the North Dakota Township Officers Association develop model land use zoning guidelines for use by counties and townships that preserve agricultural land for future generations. More specifically, we recommend:
 - ◆ A statewide cap on CRP acreage at the current level, and that all future CRP be limited to highly erodible land and waterways, and
 - ◆ Retention of ownership and control of production agriculture in the hands of family farmers and ranchers by implementing a policy of no net loss of productive agricultural land.

Objective 5

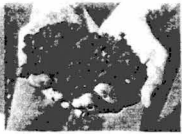
Provide better options for risk management by farmers.

- a. We recommend that the Congress and the U.S. Department of Agriculture make the following changes to the Federal Risk Management Program:
 - ◆ Expand coverage to all crops, including new and emerging crops;
 - ◆ Expand coverage to protect minimum revenue levels;
 - ◆ Develop a gross-farm income protection program, and
 - ◆ Provide that the yield data for disaster years not be included when calculating actual production histories for determining yield guarantee levels.

Objective 6

Encourage options for lower cost, quality health insurance for farm families.

- a. We recommend that North Dakota Farm Bureau, North Dakota Farmers Union and other farm organizations cooperate in offering one health insurance program to their combined membership that would benefit from lower rates due to the larger pool of participants than any one organization currently enjoys. ◆



Background

"The best thing about the (Commission on) Future of Agriculture Report might be the psychological lift it gives North Dakotans..."

"The report has managed to lift our sights beyond the farm crisis and toward a prosperous farm future."

"...it's good to see state farm leaders taking the initiative. It is only in this way that the state's farmers will gain greater control of their own—and the state's—destiny."

Grand Forks Herald, June 23, 1998

Ninety percent of North Dakota's land (over 40.2 million acres) is in farms, making the state fourth in the nation in the percentage of total acres devoted to agriculture. North Dakota also ranks fourth in the nation in the percentage of economic base derived from agriculture.

At 38 percent of the total, agriculture is the largest sector of the state's economic base (see Figure 1) and generated more than \$3 billion in revenue in 1997. North Dakota ranks 10th in agricultural exports, earning \$1.7 billion in fiscal year 1996.

North Dakota's principal agricultural

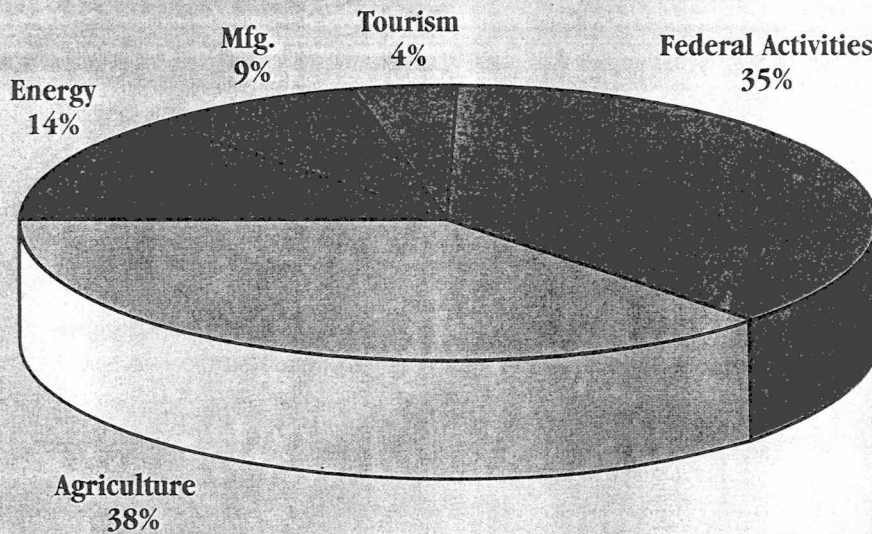
products are wheat and cattle. The combination of wheat at 41.4 percent and cattle at 9.2 percent made up over one-half of the state's total agricultural receipts in 1996. These two enterprises were also among the hardest hit by recent weather disasters. In 1997, wheat production was down 33 percent from 1996. Disease and insect problems, coupled with poor prices, have led to a predicted decline of more than one-and-one-half million acres in 1998 wheat plantings.

Total cattle inventories have dropped 8 percent from a year ago, due largely to record winter-related losses and economic factors. As a percent of total inventory, the total cattle death loss in 1997 is the highest on record.

Net returns per acre of wheat in North Dakota turned negative in 1997, with an average statewide loss of \$16 per acre (as shown in Figure 2). Similarly, returns for beef cattle were net losses for many cattle producers during 1995 and 1996 (as shown in Figure 3 on page 12).

Low and negative net returns on wheat and cattle have led to declining net farm

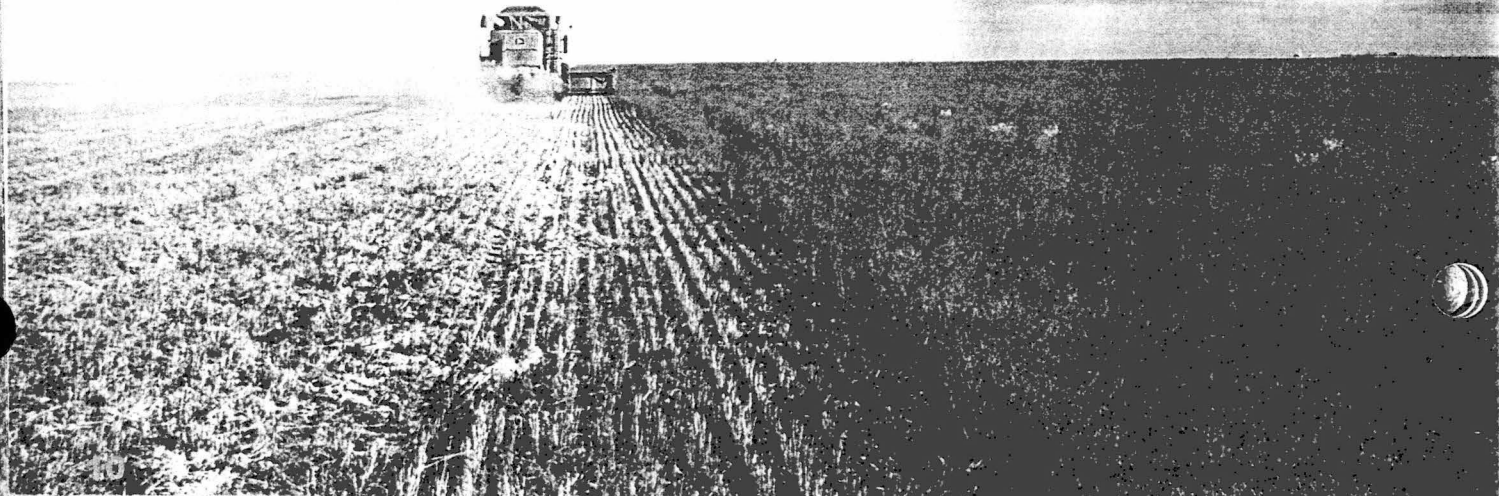
FIGURE 1. NORTH DAKOTA'S ECONOMY IN THE 1990s

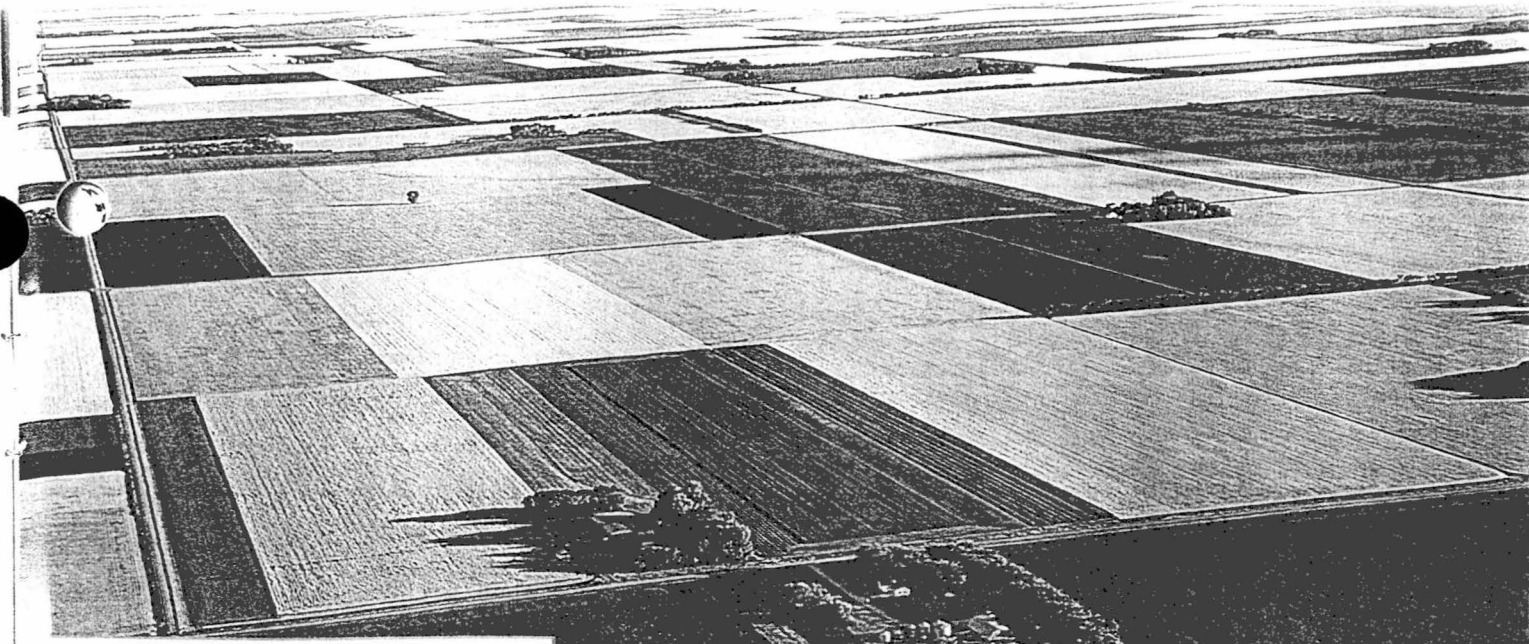


Source: North Dakota Blue Book

"The commission's blueprint is a long-term approach."

The Forum, June 14, 1998





income. Net cash farm income in the state has fallen from a per farm average of \$50,091 in 1993 to just \$15,190 in 1997. Profitability for producers is virtually impossible in this situation, with family living expenses now exceeding average net cash farm income (*as shown in Figure 4 on page 13*).

The state has also experienced a significant demographic change. The number of farm youth within the state has declined from 63,557 in 1970 to 17,366 in 1990 (*as shown in Figure 5 on page 13*) and is estimated to have decreased further to 10,000 at present. In addition, 31 of 53 counties have registered more deaths than births in the period from 1990 to 1996.

Family farm net income is also impacted by growing economic concentration in sectors of agricultural marketing and processing. Economic concentration among the four top meat packers has increased from 67 percent in 1987 to 87 percent in 1997. Similarly, the top four flour millers control 62 percent of the market today versus 40 percent in 1982.

As shown in Figure 6 on page 13, eight sectors of agricultural marketing and processing continue to see an increasing percentage of economic concentration, limiting market opportunities and compet-

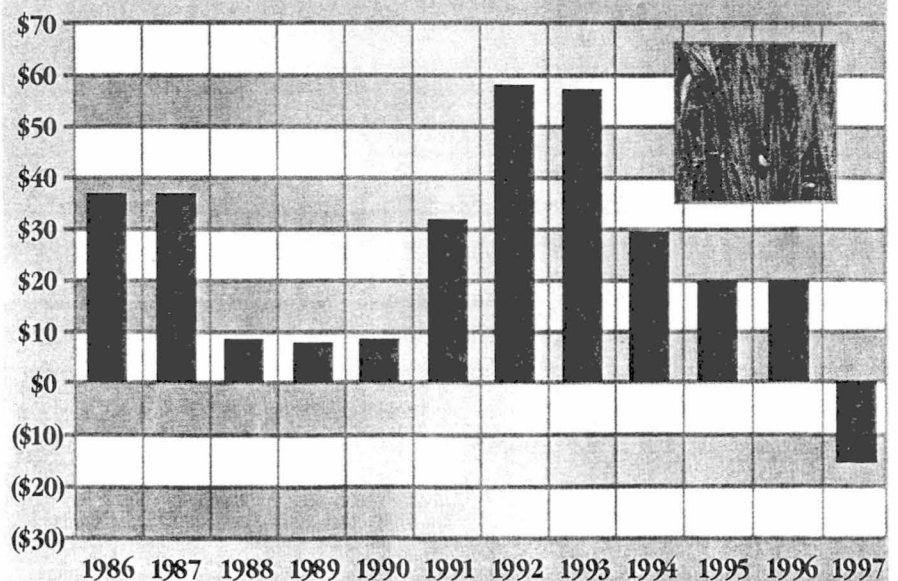
itive prices for farmers and ranchers.

Despite the adverse conditions, North Dakota has developed a worldwide reputation as a leader in value-added processing cooperatives. This well-deserved opinion is based on a carefully developed strategy and hard-fought successes in the creation of producer-owned enterprises. This body of experience in successes and failures will

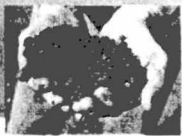
“Where predictions are concerned, the Commission on the Future of Agriculture’s are ... useful ... They build on the state’s current situation.”

Grand Forks Herald, June 24, 1998

FIGURE 2. NET RETURNS PER ACRE FOR WHEAT IN N.D.



Source: North Dakota Adult Farm Management Program



"Perfect timing. The plan could be the beginning of the salvation of North Dakota agriculture."

"Building the Future of North Dakota," a report by the Commission on the Future of Agriculture, reveals the clear-thinking, problem-solving abilities of North Dakotans..."

Minot Daily News, June 14, 1998

serve us well in building the future envisioned in this report. Our hard work and profound commitment have generated an unshakable sense of self-confidence. We believe we can achieve our vision.

The Commission on the Future of Agriculture (the Commission) was formed because of the crisis in North Dakota agriculture. However, the Commission is confi-

dent that people within the state can build upon the very impressive human and social capital that has been developed over the last several decades.

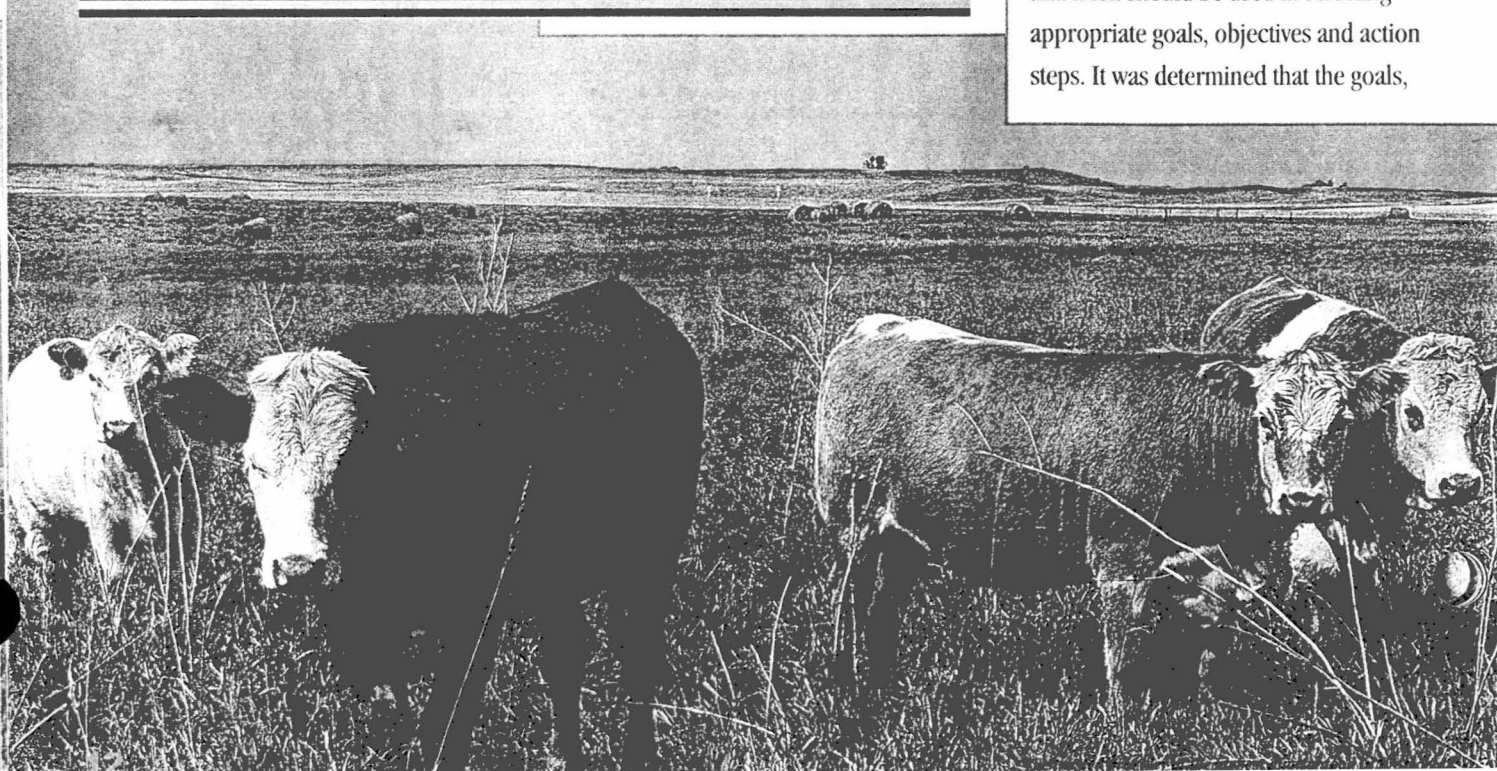
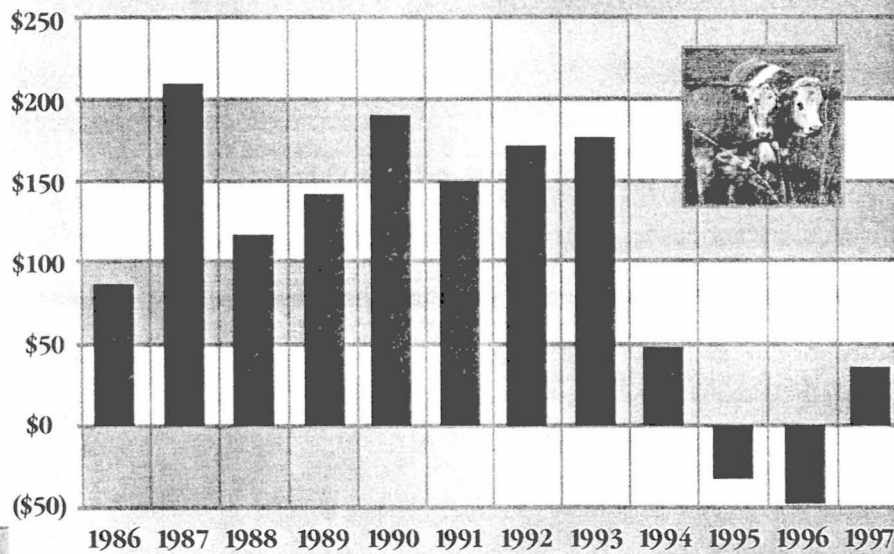
The Commission recognizes that many members of the farming community need immediate relief if they are going to survive economically. Furthermore, the state must develop a long-term strategic plan that will create long-term, sustainable prosperity utilizing all appropriate technology if the current crisis is not to repeat itself again in another few years.

Thus, the Commission believes it is imperative that its recommendations include strong action steps that will:

- ◆ Provide immediate relief to today's farmers;
- ◆ Generate actions that will improve profitability in the medium term, and
- ◆ Create a viable long-term economic future for North Dakota's farm and non-farm population.

The Working Group identified criteria that it felt should be used in selecting appropriate goals, objectives and action steps. It was determined that the goals,

FIGURE 3. NET RETURNS PER BEEF COW IN N.D.



Objectives and action steps presented in the report should meet most, if not all, of the following criteria:

- ◆ Contribute to an increase in net farm income.
- ◆ Create an active cooperation between farm and non-farm communities.
- ◆ Be doable.
- ◆ Be incentive-driven.
- ◆ Increase the quality of food production.
- ◆ Contribute to healthy population growth.

The Commission believes that the objectives and recommendations in this report meet these criteria. We hope that you do, too.

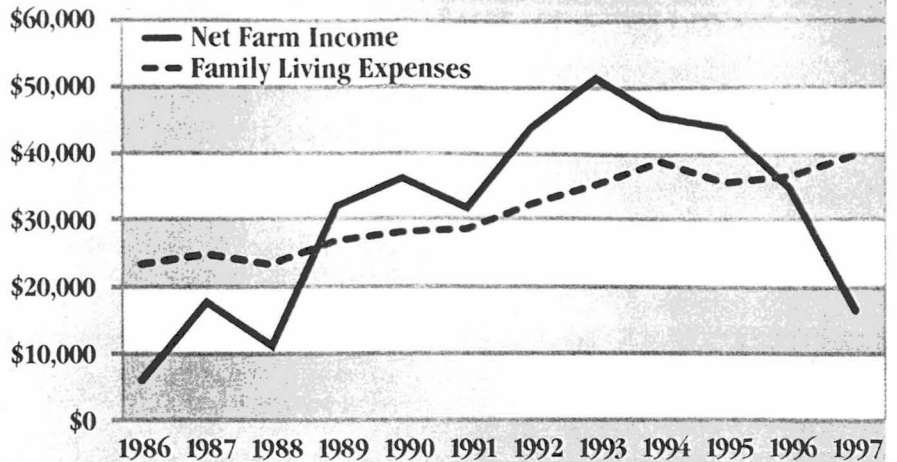
Many of the people of North Dakota who have developed this report are listed on the following page. Their assistance has been invaluable.

All of us know that we have just begun the effort to create our future. The real challenge—implementation—is ahead of us. As the June 14, 1998, *Forum* editorial observed, *"The initiative might be the most important item of business to come before the 1999 Legislature."*

The words in this report are just words until they are implemented. This is a task that will require all of our efforts!◆

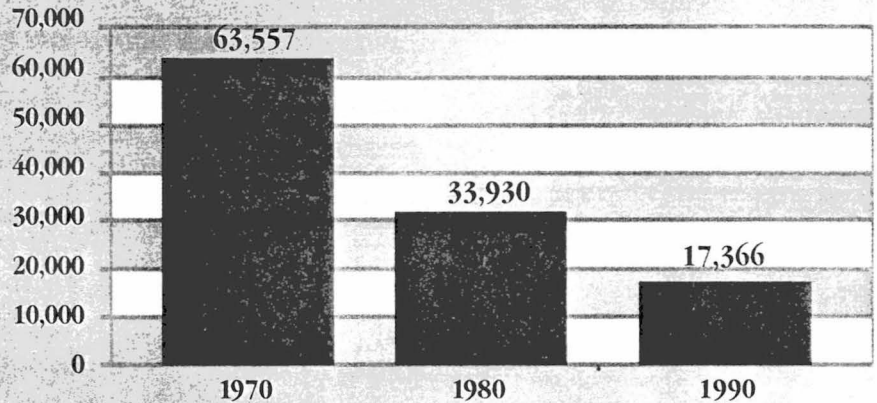
For more information about the Commission on the Future of Agriculture, please contact the North Dakota Department of Agriculture at 1-800-242-7535 or 328-2231.

FIGURE 4. NET FARM INCOME VS. LIVING EXPENSES



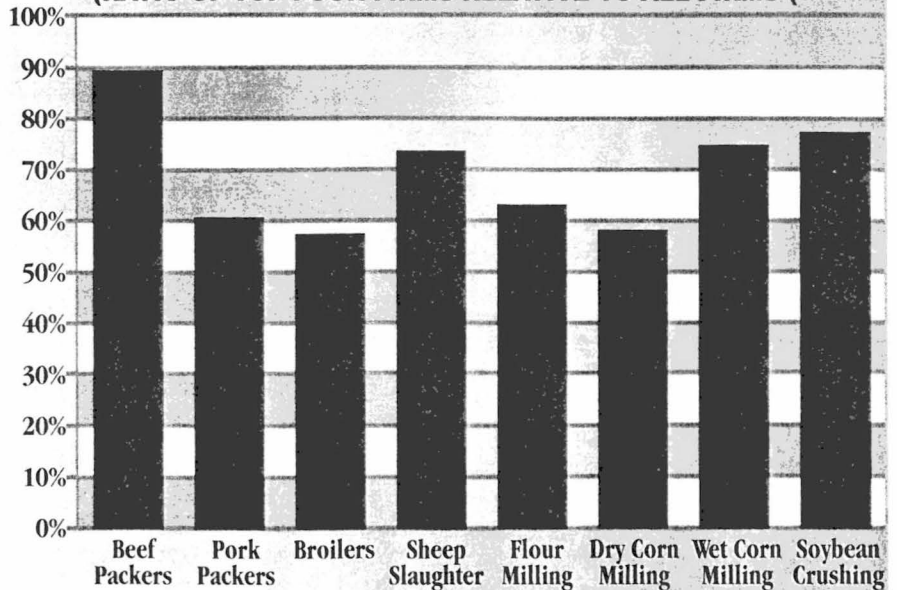
Source: North Dakota Adult Farm Management Program

FIGURE 5. N.D. FARM YOUTH UNDER 18 YEARS OF AGE



Source: Census Data Center

FIGURE 6. CONCENTRATION OF AGRICULTURAL MARKETS (RATIO OF TOP FOUR FIRMS RELATIVE TO ALL FIRMS)



Source: University of Missouri, 1997



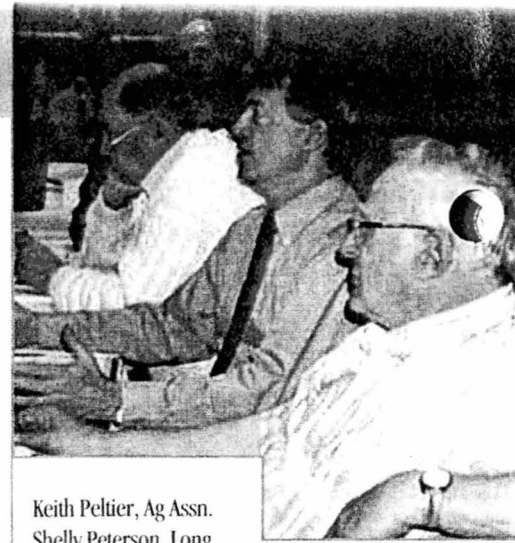
Participants

The following people, representing the following organizations, participated on either the Steering Committee, the Working Group, or the Commission on the Future of Agriculture:

Commission on the Future of Agriculture

Bruce Anderson, CENEX
Sharon Anderson, NDSU Extension Service
Ben Axtman, N.D. Assn. of Rural Electric Co-ops
Elwood Barth, N.D. Credit Review Board
Lori Capouch, N.D. Assn. of Rural Electric Co-ops
Dennis Carlson, CENEX Land O' Lakes
Robert Carlson, N.D. Farmers Union
Kent Conrad, U.S. Senator
Kevin Cooper, Industrial Development Assn.
Kevin Cramer, N.D. Economic Development & Finance
Galen Debey, N.D. Credit Union League
Judith Dewitz, N.D. Water Commission
Jerry Doan, Board of Ag Research
Byron Dorgan, U.S. Senator
Gerald Eissinger, N.D. Assn. of Telephone Co-ops
Mark Froemke, N.D. AFL-CIO
Lance Gaebe, N.D. Grain Growers Assn.
Paul Germolus, Office of Attorney General

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Jarvis Haugeberg, N.D. Grain Dealers Assn.
Heidi Heitkamp, N.D. Attorney General
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Mark Johnson, N.D. Assn. of Counties
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Bev Nielson, N.D. School Boards Assn.
Eugene Nicholas, N.D. Legislature
Arlene Olson, N.D. Farmers Union



Keith Peltier, Ag Assn.
Shelly Peterson, Long Term Care Assn.
Thomas Plough, NDSU
Earl Pomeroy, U.S. Congressman
Kevin Price, American Crystal Sugar
Lincoln Reinhiller, Dakota Resource Council
Dale Roemmich, N.D. Bankers Assn.
Edward Schafer, Governor
Howard Schmid, N.D. Farm Bureau
Rev. George Schneider, N.D. Conference on Churches
Francis Schwindt, N.D. Health Department
Connie Sprynczynatyk, N.D. League of Cities
Scott Stofferahn, Farm Service Agency
Mike Strobel, N.D. Mill and Elevator
Arnold "Chip" Thomas, N.D. Hospital Assn.
Terry Wanzek, N.D. Legislature
Dan Wiltse, N.D. Barley Council

COFA Working Group Members

John Bollingberg - a life-long farmer from Wells County and graduate of N.D. State University. Bollingberg has served numerous groups, including the Agricultural Products Utilization Commission, Edible Bean Council and the N.D. Farm Bureau. Bollingberg currently chairs the N.D. Ag Coalition.

Jack Dalrymple - a Casselton farmer and Yale University graduate. Dalrymple has been a state legislator since 1985 and has served numerous other groups, including leadership positions for Dakota Growers Pasta Company and United Spring Wheat Processors.

Jerry Effertz - a Velve area family farm and ranch owner and master's degree graduate of N.D. State University. Effertz is a member of the N.D. Stockmen's Assn., N.D. Limousin Cattle Assn., McHenry County Farm Bureau, McHenry County Farmers Union and the Velve Lions Club.

Neil Fisher - administrator of the N.D. Wheat Commission and master's degree graduate of N.D. State University. Fisher was raised on a family farm that still operates near Pettibone, has been with the Commission since 1978 and was appointed administrator in 1998.

Patricia Jensen - vice president and dean for Agricultural Affairs at N.D. State University. Jensen is a College of St. Catherine graduate and William

Mitchell School of Law graduate and has a lengthy record of service to agriculture, through education and industry groups.

Roger Johnson - N.D. Commissioner of Agriculture and N.D. State University graduate. Johnson, a native of Turtle Lake, where he still owns a family farm, was administrator of the N.D. Agricultural Mediation Service from 1989 to 1996, serves now on the N.D. Industrial Commission and has served several other statewide groups.

Fred Kirschenmann - owner of a 3,100-acre organic farm in south central N.D. Kirschenmann is a doctoral graduate of the University of Chicago, a former college instructor and administrator, and now serves several sustainable and organic agricultural groups.

Ron LeClerc - director of Community and Rural Development for the N.D. Dept. of Economic Development & Finance. A Minot State and N.D. State University graduate, LeClerc farms part-time and serves several state and regional groups.

Wade Moser - executive vice president of the N.D. Stockmen's Assn., N.D. State University graduate, life-long rancher and former agricultural loan officer.

Bill Patrie - rural development director for the N.D. Associations of Rural Electric Coopera-

tives and Telephone Cooperatives and master's degree graduate of Ball State University. Patrie is past CEO of Northern Plains Premium Beef and current chairman of the Rural Development Finance Corporation.

Richard Schlosser - owner of a 1,500-acre family farm near Edgeley and former school teacher. Schlosser is vice president of N.D. Farmers Union and serves on the N.D. Credit Review Board.

Howard Schmid - life-long Benson County farmer, raising wheat, barley and sunflowers. Schmid served as N.D. Farm Bureau president from 1990 to 1998, and is a member of the U.S. Durum Growers and N.D. Grain Growers.

Robert Sorenson - president of the Independent Community Banks of N.D. and graduate of N.D. State University. Sorenson is currently vice president of the Scandia American Bank, where he has been employed for the past 18 years.

Steven Tomac - owner of a 1,100 acre family farm and ranch in Morton County and a graduate of N.D. State University. Tomac has served as a state senator since 1991 and served in the state house of representatives during the 1987-1989 sessions. He works as a rural appraiser and is involved with several statewide organizations.