

**1999 SENATE AGRICULTURE**

**SB 2425**

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2425

Senate Agriculture Committee

Conference Committee

Hearing Date 2/4/99

Tape Number	Side A	Side B	Meter #
1	X		1670-end
1		X	0-554
2/4 2	X		3,760-4970
Committee Clerk Signature <i>Judicia Jorgensen</i>			

Minutes:

Senator Wanzek called the meeting to order, roll call was taken 1 was absent.

Senator Wanzek opened the hearing on SB 2425.

Senator Krauter introduced the bill. Testimony enclosed.

Senator Sand: How does this bill relate to the bill of Senator Bowman's two years ago?

Senator Krauter: That was changing corporate farming laws in ND, this would allow the selling of bonds.

Senator Sand: In the last line it says farmers and non farmers to invest together, to invest is different than buying bonds, help me.

Senator Krauter: You are making an investment.

Senator Sand: To invest means I would be part owner of the facility.

Senator Krauter: No.

Senator Wanzek: It really doesn't allow a non farmer to take equity position it allow them to invest through the bonds and the bonds would be used to help farmers.

Senator Krauter: Right.

Senator Wanzek: That's only allowing not mandating. What if it doesn't work?

Senator Krauter: We can take two different roads here.

Senator Wanzek: What if a situation comes up where it just makes a lot more economical sense, it's just an enabling legislation that says the commission may require or demand that, it doesn't mean they have to.

Senator Krauter: Right.

Roger Johnson spoke in support of the bill. Testimony enclosed.

Heidi Heitkamp spoke in support of the bill. Testimony enclosed.

Senator Kinnoin: What happens if bonds go in default?

Heidi Heitkamp: The risk is on the holder of the bond, there is no guarantee by the state of ND.

Senator Kinnoin: Would that bond holder then take possession?

Heidi Heitkamp: No.

Senator Kinnoin: That could become a problem then in trying to sell those bonds.

Heidi Heitkamp: There are people who are willing to take the risk.

Senator Wanzek: The higher the risk the higher the return?

Heidi Heitkamp: No.

Bill Patrie spoke in support of the bill. Testimony enclosed.

Senator Kinnoin: That is available just to guarantee the loan from the lending institution.

Bill Patrie: Yes.

Senator Sand: I can imagine somebody getting enough money to purchase a slaughtering house in Nebraska someplace and shipping ND cattle down there cause this is closer to the market. I imagine there is an optimum size someplace they have to have so much production every day in a continuing supply. Could you speak to my concerns.

Bill Patrie: That is exactly the problem of making a slaughter plant work. Retailers want to know that they are going to have a consistent supply of quality products at a reasonable price.

Senator Sand: In vertical marketing, isn't a lot of that caused by financial institutions.

Bill Patrie: Yes.

Senator Wanzek: The proceeds from the sale of the bonds can be used for producer group to purchase a processing plant or to build another processing plant, couldn't that USDA loan guarantee program be used on that loan to minimize the risk.

Bill Patrie: This authority to the industrial commission, these would more typically be loans on the production side rather than the processing side.

Victor Mathern from the Milk Producers of ND spoke in favor of the bill. This is a tool that could be used to increase dairy production in ND. Need to get closer to the consumer.

Wade Moser from the ND Stockmen's Association spoke in favor of the bill. Need a mechanism to get through this rough time.

Daryl Dukart from Dunn Center spoke in favor of the bill. Testimony enclosed.

Senator Wanzek: There's already been a serious investment made into researching a lot of these products, we wouldn't even have to spend that additional money.

Daryl Dukart: A lot of the money has been invested already.

Dwight Enockson from the ND Corn Growers spoke in support of the bill. Feels this bill can help build ND through animal agriculture.

Ken Birtsch spoke in support of the bill. Feels this is the logical first step. Have to find some way to bring capital into this industry.

John Hoven from the Bank of North Dakota was asked to come to the podium.

Senator Wanzek: What is your opinion on this bill.

John Hoven: It is an interesting concept, interesting to see if will work. We want to do what we can to help. The only question is how do we get people to buy bonds.

Senator Wanzek: If that is the case it will have to be made clear to investor.

John Hoven: Yes.

Senator Sand: I see no link to the state, if this should pass ND will get a free ride.

John Hoven: People will look at that as a link to ND.

Senator Sand: The testimony has implied there will be no link.

John Hoven: Yes that is how the bill is written.

Senator Wanzek closed the hearing on SB 2425.

February 4, 1999

Discussion was held.

Senator Klein made the motion for a Do Pass.

Senator Kroeplin seconded.

ROLL CALL: 7 yes, 0 no

CARRIER: Senator Klein

**FISCAL NOTE**

(Return original and 10 copies)

Bill/Resolution No.: SB 2425 Amendment to: \_\_\_\_\_

Requested by Legislative Council

Date of Request: 1-27-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

**Narrative:** If no credit enhancement from the Bank of North Dakota is needed to make the bonds saleable, there should be no fiscal impact on the state or political subdivisions. The borrowers will pay all costs for the issuance of bonds by the Industrial Commission and administration of the loan program by the Bank of North Dakota. The sole source of repayment of the bonds is the repayment of the loans. If the Bank of North Dakota issues a letter of credit for the bonds, the Bank of North Dakota would then be the source of repayment for the bondholders. The amount of any letter of credit is unknown at this time.

2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	0	0	0	0	0	0
Expenditures:	0	0	0	0	0	0

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: 0
- b. For the 1999-2001 biennium: 0
- c. For the 2001-03 biennium: 0

4. County, City, and School District fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
0	0	0	0	0	0	0	0	0

If additional space is needed, attach a supplemental sheet.

Signed Karlene Fine

Typed Name Karlene Fine

Date Prepared: 2-3-99

Department Industrial Commission

Phone Number 328-3722

Date: 2/4  
Roll Call Vote #:

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2425

Senate Agriculture Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Klein Seconded By Kroeplin

Senators	Yes	No	Senators	Yes	No
Senator Wanzek	✓				
Senator Klein	✓				
Senator Sand	✓				
Senator Urlacher	✓				
Senator Kinnoin	✓				
Senator Kroeplin	✓				
Senator Mathern	✓				

Total (Yes) 7 No 0

Absent \_\_\_\_\_

Floor Assignment Senator Klein

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

REPORT OF STANDING COMMITTEE (410)  
February 4, 1999 5:04 p.m.

Module No: SR-23-1969  
Carrier: Klein  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2425: Agriculture Committee (Sen. Wanzek, Chairman) recommends DO PASS**  
(7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2425 was placed on the  
Eleventh order on the calendar.



1999 HOUSE AGRICULTURE

SB 2425

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2425

House Agriculture Committee

Conference Committee

Hearing Date 3-5-99

Tape Number	Side A	Side B	Meter #
One SB 2425		x	14.5 to 50.9
Two SB 2425	x		0.0 to 9.0
Committee Clerk Signature <i>Alvin Hanson</i>			

Minutes:

Summary of bill: Establishes a livestock production loan program

Sen Krauter: This bill creates a new chapter for title 4 of the ND Century Code, would allow the Industrial Commission to issue bonds, the proceeds of which would be used for broad Agriculture purposes through loans to farmers and ranchers. The main focus of this bill is the livestock industry. The legislation would allow the Industrial Commission to design a financing system that would allow individuals or cooperatives that raise livestock to borrow money through the Bank of ND. These loans would be used to finance animals, equipment, or facilities necessary for the production of those animals. (Testimony attached)

Rep Nowatzki: Would this bill pertain to limited partnership with the farmer coop.

Sen Krauter: My understanding it would.

Bill Patrie: REA, in favor of bill. Purpose of the bill is to help the livestock industry and help it become more vertically integrated than it already is. And the gap that we identify is the cost of the facilities is more than they can currently bear. An example, if you wanted to join a vertically integrated livestock processing facility that processes cattle, you would have to retain ownership. We have struggled to get feed lots started in ND. Many people do not finish their cattle to finish weight in ND instead ship them to other surrounding states. We have one fledgling cooperative being organized at Gastoon, ND that's attempting to do that. We have to find ways to encourage people to take cattle to finish weight in ND or we are not truly integrated. The ownership chain is broken and we really don't know how they are doing. We don't have to issue bonds until there are some viable projects ready to go.

Rep Brusegaard: Do you perceive the Industrial Commission having separate bond issues on each project?

Bill Patrie: I would think what they will do is establish a minimum threshold, they are not going to issue a bond in to small a denomination. They will wait for a project that is worthy the effort put in to letting bonds, etc.

Rep Nowatzki: Would our cooperate farm laws we have in State get in way?

Bill Patrie: The legible borrower would have to be legally entitled to farm. These are for facilities and cattle that are a part of the farming operations. We are trying to allow people who do not farm a way to provide some money in low cost way to people who do farm to keep the community going.

Rep Stefonowicz: Page 5, line 1-3 all bonds and the interest are exempt from taxation by the State of ND and any sub-division of the state. Can we do that?

Page 3

House Agriculture Committee  
Bill/Resolution Number Sb 2425  
Hearing Date 3-5-99

Bill Patrie: I don't know.

Chairman Nicholas: We'll check that out.

Wayne Carlson: Livestock Director for the Agriculture Commissioner. (Testimony Attached)

Two different points.. The livestock industry has gone through some particularly rough times the last 4 years. One of the biggest problem is the lack of capital. Due to the additional valu-added things that need to be done. For the processing and for capital improvements and stuff like that. This bill would give the means to add that incentive for non farm people to invest in these livestock enterprises.

Rep Mueller: Why did we make this just for livestock producers?

Bill Patrie: Intent of this bill is to allow the producers of livestock to enter into new valu added cooperatives and gain a method of financing production facilities or cattle or hogs as necessary. That same need does not exist in the small grain industry.

Charlie Mertens: FmHA director. Can't lobby.

Chairman Nicholas: USCA has allocated \$200 million for this program. Acquired processing facilities, how much of this money is available for loan to producers. Can the USDA guarantee these bonds?

Charlie Mertens: St director of USDA Rural development. This bill is very complimentary to the program that USDA has. Most of the \$200 million is available. This is an idea that should have come long time ago. To guarantee a loan from a lender for some purchases and that is the best part of the \$200 million. It limits the risk to the US Govt and to the lender. Allows lender to take a co-signature on that note from the farmer. One flaw, we can apply these moneys to production agriculture. Can't pay for a feed lot or a hog barn.

Chm Nicholas: For example the LLC at Leeds do you have a guarantee on that project?

Ken Burtch: NDFB in favor of the bill.

Chm Nicholas: If project put together can we sell the bonds?

Ben Sather: Bank of ND I think its going to be subject to the underwriting criteria established for the program. Its how the underlining collateral is structured.

Rep Berg: If we don't put some buy down money in will we be able to sell bonds?

Eric Hardmire: Without any enhancement it will be tough to sell the bonds.

Rep Rennerfeldt: There could be no federal guarantee on these loans, am I right?

Motion by Rep Berg a DO PASS as amended Second by Rep Nowatzki.

Vote total    YES    13    NO    0    ABSENT    2 motion prevailed

Carrier Rep Berg

98348.0101  
Title.0200

Adopted by the Agriculture Committee  
March 19, 1999

*VR*  
*3/19/99*

**HOUSE AMENDMENTS TO SENATE BILL NO. 2425 AG COM 3-19-99**

Page 3, line 14, after the period insert "The Bank may not issue a letter of credit for bonds issued under this Act."

Renumber accordingly

Date: 3-19-99  
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 5 2425

House AGRICULTURE Committee

- Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken No Pass as Amended

Motion Made By Berg Second By Nowatzki

Representatives	Yes	No	Representatives	Yes	No
Eugene Nicholas, Chaiman	✓		Bob Stefonowicz	✓	
Dennis E. Johnson, Vice Chm	✓				
Thomas T. Brusegaard	✓				
Earl Rennerfeldt	✓				
Chet Pollert					
Dennis J. Renner					
Michael D. Brandenburg	✓				
Gil Herbel	✓				
Rick Berg	✓				
Myron Koppang	✓				
John M. Warner	✓				
Rod Froelich	✓				
Robert E. Nowatzki	✓				
Phillip Mueller	✓				

Total (Yes) 13 No 0

Absent 2

Floor Assignment Rep Berg

REPORT OF STANDING COMMITTEE (410)  
March 19, 1999 2:21 p.m.

Module No: HR-50-5220  
Carrier: Berg  
Insert LC: 98348.0101 Title: .0200

**REPORT OF STANDING COMMITTEE**

**SB 2425: Agriculture Committee (Rep. Nicholas, Chairman) recommends AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SB 2425 was placed on the Sixth order on the calendar.

Page 3, line 14, after the period insert "The Bank may not issue a letter of credit for bonds issued under this Act."

Renumber accordingly



1999 TESTIMONY

SB 2425

**CATTLE, Inventory Numbers, North Dakota, January 1, 1993 - 97**

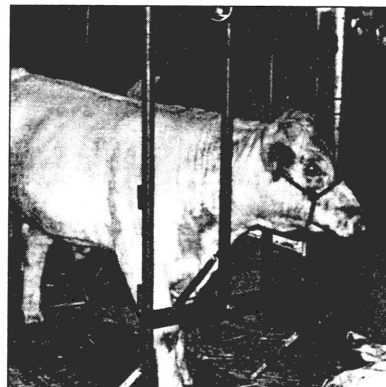
Class	1993	1994	1995	1996	1997
	----- Thousand Head -----				
<b>ALL CATTLE</b>	1,750	1,900	1,920	1,920	1,900
Cows & Heifers That Have Calved	950	1,000	1,010	1,000	1,000
Beef	875	930	945	936	940
Milk	75	70	65	64	60
Heifers 500 lbs. and Over	370	420	430	390	405
Beef Replacement	180	190	190	155	160
Milk Replacement	25	20	20	20	20
Other	165	210	220	215	225
Steers 500 lbs. and Over	230	275	270	290	275
Bulls 500 lbs. and Over	55	60	60	60	60
Calves under 500 lbs.	145	145	150	180	160

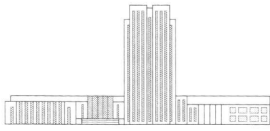
**CATTLE, Production, Disposition & Income, North Dakota, 1992 - 96**

Item	Unit	1992	1993	1994	1995	1996
Number on Hand						
Beginning of Year	000 Head	1,750	1,750	1,900	1,920	1,920
Calves Born	000 Head	920	960	970	960	960
Inshipments	000 Head	100	100	90	90	90
Marketings:						
Cattle	000 Head	477	374	493	539	536
Calves	000 Head	480	460	470	431	456
Total	000 Head	957	834	963	970	992
Farm Slaughter	000 Head	3	3	3	3	3
Deaths:						
Cattle	000 Head	17	19	21	19	20
Calves	000 Head	43	54	53	58	55
Total	000 Head	60	73	74	77	75
Number on Hand						
End of Year	000 Head	1,750	1,900	1,920	1,920	1,900
Production	000 Lbs.	548,270	551,390	562,664	582,785	533,112
Marketings	000 Lbs.	568,770	488,230	592,870	612,900	608,335
Price/100 Lbs.:						
Cattle	Dollars	71.50	73.00	65.50	55.70	48.40
Calves	Dollars	90.00	96.20	85.60	69.20	54.10
All Classes	Dollars	78.20	82.40	72.30	59.80	50.20
Value of Production	000 Dols.	425,903	448,504	398,985	351,264	267,669
Cash Receipts	000 Dols.	444,773	402,198	428,866	366,347	305,457
Value of Home Consumption	000 Dols.	5,597	5,864	5,217	4,398	3,619
Gross Income	000 Dols.	450,370	408,062	434,083	370,745	309,076

**CATTLE, Historic Inventory Numbers  
North Dakota, January 1, 1988 - 97**

Year	Cows That Have Calved		On Feed	Other	Total Cattle & Calves
	Beef	Dairy			
	--- Thousand Head ---				
1988	874	96	45	785	1,800
1989	832	88	40	640	1,600
1990	855	85	40	670	1,650
1991	875	85	50	690	1,700
1992	870	80	65	735	1,750
1993	875	75	70	730	1,750
1994	930	70	80	820	1,900
1995	945	65	100	810	1,920
1996	936	64	75	845	1,920
1997	940	60	100	800	1,900





Senator Aaron Krauter  
District 35  
HC 1, Box 27  
Regent, ND 58650-9721

# NORTH DAKOTA SENATE

STATE CAPITOL  
600 EAST BOULEVARD  
BISMARCK, ND 58505-0360



Assistant Senate  
Minority Leader  
COMMITTEES:  
Appropriations

## TESTIMONY ON SB 2425

PRESENTED BY SENATOR AARON KRAUTER

FEBRUARY 4, 1999

Chairman Wanzek and Senate Agriculture Committee members. For the record, my name is Senator Aaron Krauter, District 35.

Senate Bill 2425 creates a new chapter for title 4 of the North Dakota Century Code. Existing Chapter 4-36 is referred to as the Agricultural Development Act and it authorizes the Industrial Commission to issue bonds, the proceeds of which would be used for broad agricultural purposes through loans to farmers.

The intended focus of this bill is the livestock industry in North Dakota. This legislation will allow the industrial commission to design a financing system that will allow individuals or cooperatives that raise livestock to borrow money from this program -- through the Bank of North Dakota. These loans can be used to finance animals, equipment or facilities necessary for the production of those animals.

There are important points about this bill that should be noted.

1. The income from these bonds will be exempt from North Dakota state or municipal taxes.
2. The State of North Dakota is not liable for these bonds -- the buyer of the bonds bares all the risk.
3. The purchase of these bonds is a legal investment for banks and public officers or public bodies of the state.

4. The bill recognizes both cooperatives organized in North Dakota or South Dakota.

The purpose of this proposed legislation is to encourage the expansion of animal agriculture in North Dakota. This need was identified by the Commission on the Future of Agriculture. But COFA also recognized that without integration in the livestock industry, the farmers or ranchers may simply contribute surplus milk, pork, or beef. This legislation allows the Industrial Commission to require that all borrowers be participants in vertically integrated enterprises where the animals or milk they produce is processed and marketed through a facility or enterprise in which the farmer or rancher has an ownership position. The industrial commission may require that end processing or marketing facility be located in either North or South Dakota.

This bill is not in conflict with HB 1476 which expands the AgPACE funding. These two pieces of legislation will complement each other -- HB 1476 provides for interest buy down grants and SB 2425 provides for a direct source of loans. AgPACE will be useful in securing loans from conventional lenders to buy down the interest rate. This livestock enterprise fund will allow the industrial commission to design a financing system to benefit those producers who may not have the collateral to secure an AgPACE loan.

Senate Bill 2425 also anticipates interaction with two other programs. USDA has created a stock share guarantee program. This program can provide a guarantee to a lender who makes a loan to a farmer for the purchase of stock in a cooperative. This program needs some streamlining to make it more attractive to bankers and ag lenders. The second USDA program that is available is the Business and Industry Loan Guarantee program. USDA has allocated 200 million dollars for this program which could guarantee the debts of a cooperative that built or acquired processing facilities.

A final factor in this equation is the availability of a capital gains exemption of up to 80 million dollars for an agriculture processor who sells his/her processing facility to a cooperative made up of farmers that supply the raw commodity to that facility. That exemption is currently law and will be an important advantage to producers attempting to purchase processing facilities.

Senate Bill 2425 will allow the North Dakota Industrial Commission to become an important source of capital for livestock producers who will use these tools to create additional income through vertical integration. As a consequence of this action, we will also increase the demand in North Dakota for corn, soybeans, and other feed grains as well as feed products from existing processing plants.

The Commission on the Future of Agriculture also identified another important issue that needed resolution. Non farmer community members want to fund a legal and straight forward way of investing in agricultural enterprises. The Industrial Commission, by establishing this program, will allow farmers and non farmers to invest together in the same enterprise.

**Testimony on Senate Bill 2425**

**February 4, 1999**

**Senate Agriculture Committee**

**By William Patrie,**

**rural development director**

**for the North Dakota telephone and electric cooperatives**

Chairman Wanzeck and members of the Senate Agricultural Committee

I am Bill Patrie and I work for the North Dakota Telephone and Electric Cooperatives. My job is to help increase the quality of life for telephone and electric cooperative members by increasing income and jobs in rural areas of North Dakota. I am currently serving on the working committee of the Commission on the Future of Agriculture.

My testimony today will allow this committee to focus on three separate issues.

Those issues are:

- 1. What is the condition of agriculture today in North Dakota?**
- 2. What do we want the future of agriculture to be like?**

### 3. What will be accomplished by passing Senate Bill 2425?

1. What is the condition of agriculture today? Since many of you are farmers I will not spend a great deal of time on the first question other than to share with you numbers from *The Bismarck Tribune's* story in Tuesday's edition. Mark Hanson of the Tribune wrote about the Census of Agriculture report that comes out every five years. That report, released Monday, revealed that "1997 was one of the worst years farm-income wise that the state's ever seen" according to state statistician Larry Beard. In 1997 14,000 farmers had net losses. That is up 51 percent from 1992. Hobby farms are increasing, real farms are decreasing and to the point of this bill: between 1992 and 1997:

**Beef cattle numbers dropped 6 percent**

**The number of hog farms fell 59 percent to about 800**

**Dairy farms fell 39 percent to about 1,100**

**Sheep farms fell 32 percent to about 1,100**

The number of farms with sales less than \$2,500 grew 95% and the number of farms with sales of more than \$500,000 grew by 36 percent. The number of farms

between those categories fell 10 percent.

**What do we want the future to be like?** This question is easily answered through the hard work of the Commission on the Future of Agriculture. The vision 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.”**

Put plainly-- this is what the people of North Dakota, who are involved in agriculture, want for their future. This future is dramatically different than the currently reality and this is why we want your help.

**What would be accomplished by passing this bill-Senate bill 2425?**

It will create a financing tool to help the livestock producers in North Dakota revitalize their industries themselves. It will help dairy producers finance additional production facilities and milk cows, it will help pork producers finance state of the art, environmentally friendly barns, and beef producers to finance



cattle on feed or the facilities to feed those cattle. It will also allow the Industrial Commission to write conditions for the issuance of these bonds that would require eligible farmer borrowers (who could be individuals or cooperatives) to be vertically integrated thus creating a more reliable market for their livestock or dairy products.

Passage of SB2425 will also allow non-farmers to buy these bonds, and through that investment, provide capital that will be used in production agriculture. Non farm bond holders will now be able to share risk and returns in agricultural enterprises. I hope this program will allow farmers and non farm community residents to come together in the same enterprise. I think this will be good for the business enterprise and good for our communities.

The passage of SB2425 is the recognition that the opportunities in agriculture transcend North Dakota's boundaries and allow farmers and ranchers to form alliances with producers and processors in South Dakota.

Rebuilding our livestock industry also will increase the market for feed grains and feed by-products produced in North Dakota. It will allow feed producers and food

manufacturing enterprises to add value to their grains and by-products.

I am glad you are considering this bill and would like to acknowledge the keen interest in this bill by USDA Rural Development. USDA has a stock share guarantee program that guarantees the debt of a farmer who purchases stock in a new generation cooperative. USDA also has a Loan Guarantee Program (Business and Industry) that can guarantee the debt of a cooperative for the construction or purchase of a processing facility.

The passage of this bill may also allow farmers to take advantage of the exemption from capital gains taxes being offered to processors who sell their facilities to the producers who supply the commodity that is processed in the plant.

There are representatives of producer groups, USDA and the Bank of ND who may also wish to testify and answer your questions.

Thank you for your generous attention--I will also be glad to answer questions you may have of me.

TESTIMONY ON  
SENATE BILL NO. 2425  
February 4, 1999

I am Attorney General Heidi Heitkamp and I appear today in support of Senate Bill No. 2425.

As Attorney General, a member of the Industrial Commission, and a former Tax Commissioner, I am well aware of the role agriculture plays in North Dakota's economy. We need strong family farms throughout North Dakota to support the life we enjoy in North Dakota. Clean air and water, low crime, strong businesses, pride of ownership in our farms and businesses, and a strong education system are all goals for which we strive. Without a strong family farm system in North Dakota we can not continue to have the quality of life we have enjoyed in North Dakota.

This bill does two important things that can help to maintain our quality of life. First it establishes an avenue for livestock producers to obtain low cost financing.

Second it creates a mechanism for non-farmers to invest in livestock operations. This mechanism gives investors the ability to achieve gains without destroying our family farm system.

I urge you to give a do pass on this bill.

**Testimony of Roger Johnson  
Commissioner of Agriculture  
Senate Bill 2425  
Senate Agriculture Committee  
Roosevelt Park Room  
February 4, 1999**

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Chairman Wanzek and Committee members, I am Commissioner of Agriculture Roger Johnson. I am here today in support of SB 2425, which will establish a bond program for livestock production loans.

The livestock industry in the state has suffered difficult times the last several years. Cattle profits over the past four years have averaged zero, resulting in acute financial stress on the industry, and hog prices reached record lows this winter. At the same time, North Dakota producers' production expenses have risen 17% since 1992. The North Dakota producer is beginning to feel the double burden of increased debt load caused by low prices and increased production costs.

However, at the present time, the livestock industry has great potential to increase the value of its existing product. During the Commission on the Future of Agriculture (COFA) public forums held across the state last winter, we heard many people discuss the need for additional capital and the problems they faced trying to raise it.

SB2425 coincides with an objective of COFA "to develop and implement an aggressive plan for increasing animal agriculture within the state." This legislation provides for one of the tools needed to accomplish this objective.

SB2425 will allow the Industrial Commission to design and administer a system that will provide a vehicle for non-farmer investors to buy bonds in local value-added ventures to finance equipment, animals, or facilities for North Dakota livestock producers.

The income from the bonds would be exempt from state and municipal taxes the State of North Dakota would not be liable for the bonds. The purchasers (local investors) would carry the risk. Mr. Chairman, this legislation would create one more tool--available to all of us in the state, farmers and non-farmers alike--to further develop livestock value-added opportunities for the state and to attempt to bring some stability for producer income with respect to animal income.

Chairman Wanzek and committee members, I urge a do pass on SB 2425. I would be happy to answer any question you may have.

~~Jan~~ Feb 4<sup>th</sup> 1999

Chairman Wanzel & Ag Committee

Daryl Dehaut from Dunn Center  
My wife Kayne and Myself <sup>opposite - 1080</sup> Ranch & Farm  
near Dunn Center. We operate a  
125-150 cow operation with a 70 sow  
farrow to finish operation - our crop  
acres are ~~also~~ 500-600A per year  
of feed grain and hay.

I'm here in support of SB 2425  
After the past few years of poor  
cattle price along with record low  
hog price in 1998 - the livestock  
producer of N.D. need to have the  
opportunity to invest in a form of  
value added marketing <sup>for</sup> his production.

Vertical integration with a present or  
new ~~and~~ slaughtering & processing facility  
would be that niche which would help  
us the producer show greater profits.  
~~SB 2425 offers the North Dakota livestock~~  
~~producers~~

Many of us as North Dakota livestock  
producer are highly stressed with the  
loss of equity over the past few years  
and can not come up with the collateral  
to get a regular loan to buy into a  
vertical integration program.

<sup>our</sup> <sup>State</sup> Ag. Products - Utilization <sup>working</sup> has given  
numerous dollars to study and help  
plan for operations where producers  
could add value to their livestock

- enterprises - I believe ~~SB 2425~~ would  
help many producers to

SB 2425 would be allow many more  
producers to participate and ~~it~~ <sup>in programs</sup> would  
~~be~~ agriculture become more profitable  
that would add economic strength to  
all of North Dakota

Thank you.

Lang Kuback

**Testimony of Roger Johnson  
Commissioner of Agriculture  
Senate Bill 2425  
House Agriculture Committee  
Peace Garden Room  
February 5, 1999**

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Chairman Nicholas and Committee members, I am Commissioner of Agriculture Roger Johnson. I am here today in support of SB 2425, which will establish a bond program for livestock production loans.

The livestock industry in the state has suffered difficult times the last several years. Cattle profits over the past four years have averaged zero, resulting in acute financial stress on the industry, and hog prices reached record lows this winter. At the same time, North Dakota producers' production expenses have risen 17% since 1992. The North Dakota producer is beginning to feel the double burden of increased debt load caused by low prices and increased production costs.

However, at the present time, the livestock industry has great potential to increase the value of its existing product. During the Commission on the Future of Agriculture (COFA) public forums held across the state last winter, we heard many people discuss the need for additional capital and the problems they faced trying to raise it.

SB2425 coincides with an objective of COFA "to develop and implement an aggressive plan for increasing animal agriculture within the state." This legislation provides for one of the tools needed to accomplish this objective.

SB2425 will allow the Industrial Commission to design and administer a system that will provide a vehicle for non-farmer investors to buy bonds in local value-added ventures to finance equipment, animals, or facilities for North Dakota livestock producers.

The income from the bonds would be exempt from state and municipal taxes. The State of North Dakota would not be liable for the bonds; the purchasers (local investors) would carry the risk. Mr. Chairman, this legislation would create one more tool--available to all of us in the state, farmers and non-farmers alike--to further develop livestock value-added opportunities and to attempt to bring some stability for producer income with respect to animal income.

Chairman Nicholas and committee members, I urge a do pass on SB 2425. I would be happy to answer any question you may have.

The Bank of N.D. is prohibited from issuing a letter of credit for bonds issued under the provisions of this Act.