

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 rerefered 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.

Date: Feb 2, 07
Roll Call Vote #: 1

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

Senate Agriculture Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass to adopt Amendment

Motion Made By Klein Seconded By Wanzek

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman	X	
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

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

Date: Feb 2, 2007
 Roll Call Vote #:

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

Senate Agriculture Committee

Check here for Conference Committee

Legislative Council Amendment Number 78337-0201 title 0300

Action Taken Do Pass as Amended rereferred to Apps

Motion Made By Klein Seconded By Wanzek

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman	X	
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Heckaman

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

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

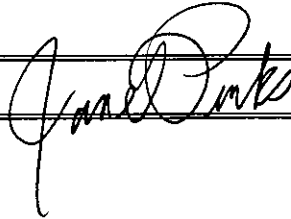
Senate Appropriations Committee

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

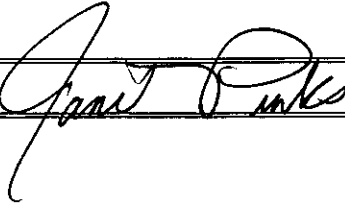
Senate Appropriations Committee

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

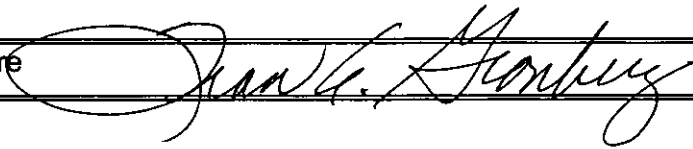
House Agriculture Committee

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.

