

FISCAL NOTE
Requested by Legislative Council
01/18/2019

Bill/Resolution No.: SB 2329

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill transfers the international business and trade office from the Department of Commerce to the agriculture commissioner.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This bill transfers the statutory authority of the International Business and Trade Office from the Department of Commerce to the agriculture commissioner.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

N/A

Note: The agriculture commissioner supports the base level (17-19 biennium) authority for the North Dakota Trade Office line item in HB 1018.

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Date Prepared: 01/24/2019

2019 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2329

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SB 2329
1/28/2019
Job #31563

- Subcommittee
 Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to the transfer of the international business and trade office from the department of commerce to the agriculture commissioner; and to the international business and trade office.

Minutes:

Att. #1-4

Chairman Klein: Opened the hearing on SB 2329.

Doug Goehrig, Agriculture Commissioner: See attachment #1 for testimony in support of the bill.

(5:07)Chairman Klein: When you suggest that the trade office hasn't gotten the fair budget request, how do you envision or what would you do differently if it was in the Ag commissioner's office?

Doug: I serve on the trade office board, and over the last couple sessions we've seen support from the board to take a reasonable needs based budget approach and submit a request. And what we've continued to see was even if we've had support in different areas, that request never really gets to the legislature for a fair hearing. Grant you, there's executive recommendations and as any commerce commissioner, they have a lot of programs and a lot of things to manage and oversee and I think it was unfortunate when we looked at the last session, that everything was on track for the trade office to receive said funds, which was I believe \$2.4-2.6 million dollars at the time. And at the 11th hour and 59 minutes, a deal was cut, and other part of Commerce's budget went up and the trade office went down significantly. We just continue to see this without any real opportunity to have a little bit of time for those exporters, for the trade office to actually talk about where they're at. Or in this case, if it was money that was coming through my budget I would talk to that degree and advocate for why there is importance and value in what the trade office does.

Chairman Klein: So what we need to do here is refocus dollars for whatever is in the Commerce department for the trade office and then move that over into your budget, is that how you would look at this?

Doug: It would. It would be a matter of sending those dollars to my budget which would then go to Commerce.

Chairman Klein: And that would require some FTEs?

Doug: It would require no FTEs. There would just be an audit process in place where we would provide oversight to make sure that those funds are being used in accordance to what they are supposed to be used for.

Chairman Klein: I'm not sure how it applies to this particular bill, but in the last discussion, there was some discussion about how collaboratively the department of Commerce can work providing support for APUC for example, as they roll these new ideas out. Will we hear that same thing here? Would you not be looking at working collaboratively with others, or how do you envision making it a smooth process. You know one could be troubled by the APUC department, understandably when they have other doors in the same building. But you would have to call someone and work them? Would this apply that same way here?

Doug: Concerning previous conversations, they are standalone programs, and really, we already work together in so many ways I would hope this doesn't drive a wedge between us because this really is about a pattern. Almost everyone associated at Commerce has no real skin in the game unless it's an ego thing, that they just don't want to lose something. In reality, I don't believe they've done anything wrong, it's just a matter of support that's been shown for these two programs. Our relationship is to continue to help the Industry, doesn't matter what the industry is. It's a matter of picking up the phone and making a call and you connect people to all the right people and programs you need to. Concerning the trade office, I would say that Commerce has less to do with trade than they do with APUC. They at least house part of APUC but they're a great resource when we're at the table talking about how we're gonna move forward, what are things that we can do. We're all a great resource in the room when we're on the board and I think that's important to remember and recognize. When you look at what the trade office does, and where their real value and programs come from, it's from US commercial services who we have a relationship with and need to continue that. It's with foreign ag service. The small business administration, and then it's our partners at the statewide level like northern crops institute, which provides a lot of oversight, technical expertise, on product development and utilization. We have sixty food export companies in the state, and they have worked well with our department, with commerce, with the trade office, but really our place is to support their efforts. So at the trade office, that if we're going to go beyond our borders, we have to make sure we're providing them the resources so that they can leverage those to make a difference in other countries with our companies.

Senator Burckhard: Is there some common overlap between Commerce and Ag in other areas?

Doug: Yes, we were together on multiple different things, especially agricultural projects or concept things that come forward. I recall recently, I worked with commerce on the potential to have a cage free egg-laying facility here in here in North Dakota, cause they're in such dire need in California because they've regulated animal agriculture out of that state. We worked together on that we had a chance to go visit some operations and we continue to do that. We bounce ideas off of each other, we share stuff. A lot of the request, places where I

can visit with Bank of North Dakota, where are places I can prop up and support, have done that and will continue to support that. I would continue to support what they are doing I just don't support these two programs that are continually put on the back burner and we see tourism and other things, budgets increase and I think it's unfortunate.

Senator Burckhard: Give me an example of a reverse trade mission.

Doug: A reverse trade mission is bringing buyers from other countries to North Dakota. There is value in that, you get a chance to show them maybe the manufacturing facility, maybe how its built, how its created. You get a chance to show them the fields, and the production, maybe the processing plants. Primarily, if you look at one of the biggest reverse trade missions we generally host, it would be with Big Arm in Fargo. And we've had as many as 157 different people from across the world visit in that reverse trade mission. We've also brought in those buyers from Singapore, Vietnam, China, Japan, Taiwan, Philippines, and from the middle east, Egypt to visit NCI and the trade office has been involved in those types of activities as well. Maybe to fund or support part of it, but at least making connections. Most recently, with my role on Food Export Midwest, we're taking that relationship and leveraging it with the trade office. Which will give us access to twenty-one contractors and country directors across the world. We've never had that before, before you would have to actually hire those people physically, and now we already have them there and we can pay a small fee to have them help us in market analysis. But really a lot of that comes from in country with foreign Ag service, and US commercial service. And you can't just go there on your own. You can call up and tell them I want to come visit your country. They're probably not going to give you the time of day because first of all you need to have at least some numbers to work with. It's got to be worth their effort because they put a lot of work into those market analyses. And they're doing it for both the manufacturer and they're doing it for our food export countries. So having that critical mass gets you to the point where they'll even spend more time doing more work with you and if you can bring along a governor, Lt. governor, ag commissioner, somebody that has a title, cause in the US we may not have much respect for elected leaders or politicians but in other countries it's a big deal. It opens doors and it gives you the opportunity to have those governments to government meetings where you can discuss tariffs and nontariff trade agreements and also technical aspects of products that are being held under the market or things that are being rejected.

Chairman Klein: You've talked a lot about ag issues and ag exports, is the trade office involved in other things, is there anything totally unrelated to ag that the trade office works on?

Doug: Yes, that would be for our manufacturers. For those other products that maybe don't fit exactly into ag, maybe they have part of an ag component to them, you could talk about augers, grain bins, and conveyors, that kind of agribusiness. But there are others that are part of the trade office as members that work with the trade office and then there they actually work with us commercial services so some of that is done here within the state but then it's also done with US commercial services in proposed countries that you might want to go visit. So there's effort to always research what's the market like, what's the income, what are the types of businesses, and what are the opportunities.

Chairman Klein: I guess where I was going was, would the ag department is that the proper spot for the trade office if it entails that other component of non ag issues, would you be able to handle that and make sure that those folks are also covered, I know it's got to be, as a dollar number not a very big number but nevertheless you'd still be responsible for handling out folks that fall outside of what we would call traditional agriculture?

Doug: With respect to my duties as agriculture commissioner, I also have oil and gas, I have water, I have infrastructure, business development, agriculture, tax equalization, I wear a lot of different hats. And then I have the industrial commission, too. Cause there's other duties and responsibilities with that too. The housing finance agency, the pipeline authority, transmission authority. I don't give support to just one group of people, I try to be balanced in my approach but what's interesting about this, it really doesn't matter what my approach is, as long as there is oversight on the dollars that are going to the trade office. Because I shouldn't and I won't be trying to influence how those dollars are spent or how we treat any of our exporter members this is a matter of support our exporter members and I've done it already when we've had trade missions or we've had manufacturers along and I've been just as engaged and just as supportive cause it's all about supporting our economy, our companies, and our country.

Chairman Klein: One might argue that North Dakota is in an enviable position with a great agriculture commissioner but we elect the ag commissioner in our state and I guess I would be hesitant to think that whoever held that position wouldn't be giving it 150% like we are probably getting now. I do that with other industries, certainly we've been able to work this commissioner, would you see this working any differently with a change in leadership?

Doug: You bring up something interesting because I've heard it here recently too how others try to point out well if the commissioner changes well then policy is gonna change the reality is you can probably get away with something once but between voters and between the legislature you don't. If you truly understand this system, as an elected official you have quite a bit of latitude and flexibility, but you also took an oath of office. But ultimately the legislature delegates and they create laws. Now, if you want to be irresponsible and unresponsive, things can constrict quite quickly. If you want to be responsive and you want to be attentive, and you want to step up to the plate and be helpful, then the legislature has proven to be very accommodating and supportive. So yeah you can probably get away with playing politics once, that's the reason APUC got moved years ago. Somebody being loud obnoxious and mouthy and you guys saying I'm not gonna have it anymore. So I'm not concerned whose here, because you will always have that oversight and say so.

Chairman Klein: Some would argue that under if it's under the ag office you're putting yourself out more in the fore front where you as an elected individual, can do a lot more to annoy or irritate constituency, versus if you're a cabinet official, who would then through the governor. You're putting yourself out there right now, if these would fall under your jurisdiction, to take more abuse and complaints and concerns, you could be opening yourself up to more scrutiny?

Doug: That's probably true, but it's already my life every day. And if you don't like the criticism then you just have to go back to your office and choose not to run next time or not get involved. But if you're going to make a difference then you're going to be subject to criticism,

and I suppose some of it may be invited, some maybe not. But most often I take it as an opportunity to educate and inform people about what you're actually doing. I'll tell you that 99% of the time you can diffuse a situation explaining fully what's going on, how it operates and functions and sometimes you have to break bad news to people about something that they support or want, but you may have to tell them it's not gonna happen.

Senator Burckhard: We have all these ag products, only 5% of population, so soybeans, do we have another market for soybeans besides China?

Doug: We do have a lot of eggs in one basket when it comes to China. China for the US, out of North Dakota about 70% of our product goes to China, out of the whole nation it's like 42% of our product is destined for China. But the rest of the world needs protein also, our biggest challenge is all of our production and infrastructure is geared to go to China. Now we have to go through the system in reverse order to try and export to other countries. Which quite frankly, with China sucking up most of the soybeans out of Brazil, and South America, other countries are short so now they are coming to the US. The problem is we don't experience the benefit from those as much because they'll send them down the Mississippi down to the port in New Orleans, or they'll be shipped out of the Great Lakes, but that is generally a seasonal port.

Chairman Klein: I believe Mr. Wogsland handed out a statement in support as well. (See attachment #2 for testimony in support).

(26:25)James Leiman, Director, Economic development and Finance at the North Dakota Commerce Department: see attachment #3 for testimony in opposition to the bill.

(31:17)Senator Piepkorn: Where are the non-Ag exporters located?

James: We have several, a good example would be the energy industry, we're working very closely with them on additional markets. Japan for instance, over the next five years, 75% of their 20 year contracts for renewable fuels expire from Brazil. So we want to get out there upfront same with the Philippines, Korea, they all have a similar story or they're depleting natural gas. Like the largest field off the coast of the Philippines for example, will be depleted by 2022, so what we're doing is working very closely with energy producers to ensure that we can meet that demand. That can be through different transportation methods, working closely with pipeline authorities, working with the Minot folks on developing an intermodal solution, working with industry for a creation of 20-foot containers so we can get that out without having to do with the protests in the Pacific Northwest. There are a number of energy examples, beyond that we've got lithium folks located in Grand Forks that utilize western lithium research to sell their product. Information technology would be another example. We have several firms, Marriott mobile for example, we were very closely with them as we're trying to increase their presence overseas, as they develop their tech solutions. We have manufacturers throughout the state, a good example, I work very closely with KMN, going back to that strategic systems level approach, it's not just the trade office and their overseas interactions, because they're constantly overseas selling their products. But it's also getting them closer, say, to the department of defense, using the national defense industrial association. So by having one person manage that relationship across that continuum, you're got manufacturers, IT folks, UAS, which is another big one. We have a lot of companies here

that test, evaluate, and prove their technologies and then they go and sell them overseas. But just as important for all of the exports we're doing, there is the foreign direct investment aspect of this, and we're working very very very closely with the commercial service, actually the ag commissioner mentioned, they actually give us data upon request which is great and we can take countries all the way down to the company level, and target based on the companies they're giving us using those consultants that are out across the world. And then as they do trade missions, we can establish those initial relationships, so those manufacturers, energy companies, IT, UAS, when they come to select USA in May or June, we have that initial relationship established, so we can actually ensue some type of investment into a North Dakotan company or sell our product abroad.

Senator Burckhard: Should we have a specialist in Minot to work with the intermodal transportation?

James: I'm probably the closest as well as Simon Wilson who is the executive director of the trade office, I got tapped with it because I'm wrapping up a PhD in transportation logistics in May at NDSU, so I we work very closely naturally, with their CDC representative Fisher, Stephanie at the CDC, we're working closely with the Northwest Seaport Alliance, as well as the folks on the ground at Minot, the Bank of North Dakota, having a specialist, I don't think would improve the situation there however, I can tell you no fewer than two or three times a week we're engaged, whether that be by phone call, I believe there's a group of three with them to speak with BNSF, because they're a critical component, Ocean carriers, there's so many complexities in this broad spectrum. But we are actively engaged, and actually a couple weeks ago we had a good meeting with several legislators and the Lt. governor because there is that much interest as well as data that we need to make good decisions up there.

Chairman Klein: You made the point that the ag commissioner is already involved, and the intermodal issues. And he also has membership on the industrial commissioner and he's working on ethanol issues, and a variety of things what are already covered and he understands. He's on these missions is he not? I just heard you say he'll be on with your group whenever, so he's not just a slacker as the ag commissioner. He's involved in providing export opportunities already. So I know we're doing stuff now, but are we doing better because were efficient, or we're not funding it so we're lacking some opportunities there too?

James: I don't want to insinuate that the ag commissioner is slacking, if you look at the history of the trade office, previous Lt. governors, governors, ag commissioners, they've all traveled and frankly, over the last few years, Lt. governor Sanford as well as Governor Burgum have been very close, they have close relationships overseas, I don't think that changes the dynamic necessarily. I would like to correct that it isn't necessarily pass through because we are actively engaged in developing those relationships and expanding beyond ag. Part of the problem we've had over the last five years or so, is the trade office, if you look at the membership model, for a while it was becoming the agricultural trade office of the Red River valley. And over the last six or seven months, we've been able to reengage industry very well to the point where not only have we grown those memberships 10-15%, but utilizing senior leaders in state government, whether it be the Lt. governor, governor, or ag commissioner, we've been able to actively grow those relationships at a must faster pace, as well as do it efficiently. So by having Commerce personnel on sight, we're effectively taking like data that suggests all the way down to the company level, this is where we should be

focusing our efforts and where we're actually growing that business to business model as a result. Tomorrow we have a call from a company that contacted us through that relationship model, and that would have never happened historically. I don't think we've lost anything there and the ag commissioner frequently travels. It's historically been, as part of the board, you have the commerce commissioner, the ag commissioner, as well as the Lt. governor and the majority leader of the house that are the four mandatory members. So they've all kind of been a part of this process historically to some degree or another, but those efficiencies that we've realized, you're actually looking at the person involved in the budgeting process, I can tell you between 1.6 mil and 2 million, there's no margin. There's no discernible marginal reflection of what the extra money would be for you. So the 1.6 million gives you not only their current mission but also what we think they're going to grow into, as we attempt to grow that membership model by another 50% using IT manufacturing and energy companies so we can work more closely with them to grow North Dakota businesses but also offer more opportunities for investments so that companies can grow.

Senator Kreun: What percentage of the trade office is the Commerce department? What percentage of the work that you do out of the Commerce department for the trade office?

James: I would say that every economic development opportunity we're looking at today in the state of North Dakota today, whether its value added energy, value added ag, high tech, emerging technologies, UAS, we look at it through the prism of international opportunities, whether that be money coming to this country or export opportunities, all the way through the community that impacted. There's a full continuum of relationships that have been developed to ensure that the local companies benefit from that model as well as full state sort of support whether it be bank products, commerce products, APUC, we ensure that every project we do, if there is a foreign direct investment or export opportunity has that. But I would like to mention, six months ago the board discontinued the focus on foreign, so now it's anything outside of North Dakota. So there's FDI and NDDI, the domestic equivalent of investment, and or exports if you will. So when you look at a lot of our programs, you have meet a 75% threshold for exporting your product outside of the state. In order to achieve that I would argue, that every single project we do we're looking for that outside of the state or outside of the country to ensure that companies achieve their maximum benefit but also understand where those markets are, so pretty much everybody with the exception of like retail.

Senator Piepkorn: Following up, you touched every project but then what percentage of your time resources, is devoted to each project? Like half your time in the department, 10% of your time? I know you touch every project, but about, is it all of your time in Commerce, 5% of the time on each project?

James: I'm going to answer it, but I think it depends on the sector. For example, UAS is 100%. Because we're looking at it from the prism of what do we get outside of the state, what are we selling. Same thing with Ag, it's an \$11 million business if you go in the state, \$5 billion of which is exports and when you look at the domestics, you're probably pushing somewhere between 70-80%. Manufacturing, a majority of what we create here, we sell outside of here, and then energy, obviously, we consume way less than what we market and sell. So I would argue that a majority of the projects, I can't give you an exact percentage but by having our research and economics person at that office before every developer goes out on a mission somewhere to grow a company, they use real time data to make a decision so I would argue

Commerce today, a vast majority of its projects involve some sort of international and/or out of state touch points whether the invest flows this way or we're selling that way.

Chairman Klein: How much time do you spend on the trade office issues because I know you're doing a lot of things up there; how much time do you or how many FTEs spend all their time and how much do you spend on your efforts at the trade office?

James: I would say probably 10% because we have an executive director that who works for a board there that makes those decisions. So if you look at the trade office, the way its structure today, they have basically marketing specialists and an events person. So it's a five-person office, where you've got two folks exclusively dedicated to marketing, like they, if you look at their 50 or so members, they're split up into two and each of these people run their own portfolio. That's why we need that third person in Bismarck at Commerce, so they can grow a third portfolio that focuses on energy and manufacturing. Then you have the executive director, he and I work very closely on these touch points that I alluded to earlier. So hey we've got this requirement, and then you've got a person who handles events coordination, so like when the ag commissioner mentioned Big Iron, which would be an example of when we bring folks here to showcase our products and sell them. So typically, they have their own autonomous model that deals with a board, but commerce over the last six to eight months has become much more involved because historically they deviated and we are bringing them back into the fold so that we can realize maximum efficiency, and that's why we've grown additional companies, as part of the membership quota, as well as why we're heading in a place where the commercial service contacts us directly and says we want you to facilitate xyz deal with this company. So they are set up they report through a board structure, but I will say it's not just pass through there's active discussions they're part of a broader continuum that supports the commercial missions of the state as well as to some degree this country.

Chairman Klein: As we've had a little bit of change of faces in the department over the last year or two, if you're out on that trade mission and someone who has been showing up for ten years is on that mission and he's developed relationships, I can see where you can jump in and maybe make up some time, but isn't that what we do create relationship building? And with the swinging doors, doesn't that make it almost more difficult, and I think we heard it, governments like to see elected officials? Do you see us creating that stability that we need to provide those relationships?

James: We certainly benefit from those relationships, but I will add that a majority of these consultants until a few months ago didn't really know who we were. And so now we're actively working with the agency is Beijing, I can give you several eastern European examples because we're tied to them for tech sales. These particular relationships didn't exist historically, so suddenly you have a massive influx of companies that are interested in investing in North Dakota, they're buying our products whereas historically we didn't have that. So I'd say it would be a good combination of having those relationships established, the two marketing professionals that are there manage their relationships quite well, it certainly helps to have senior elected officials her in the state travel abroad as well as maintain some of those relationships. But at the end of the day we have tons of companies that we are actively working with that historically we weren't because they had no idea what we could offer. We're finding that domestically as well. So suddenly these are a ton of new

relationships that didn't used to exist and we'd like to see this trade continue because we are growing, statistically, just look at the membership as well as our export capacity. As well as the fact that we're doing it much more efficiently in our existing relationship with the trade office.

Senator Burckhard: As a matter of fact, if you're growing your exports and we have the port of North Dakota intermodal facility in Minot, BNSF has site certified Minot, we have two competing rail roads in Minot, and we are the half way point between Chicago and Seattle.

James: I'd love to spend more time on you, six months ago we reengaged with data and we suddenly had 40% more export capacity that BNSF and CT had no idea we had, as a result that's why you're seeing a majority of these discussions ensue as well as a third tier or class one rail line trying to get involved in the state of North Dakota. Love to sit down and talk with you about it because we did reengage that data and we are actively engaged whereas there was a sleepy hiatus for the last almost 20 years. You have some work but the reality is we were never able to cross that threshold.

(49:04)Mason Sisk Economic Development Association of North Dakota: see attachment #4 for testimony in opposition to the bill.

Chairman Klein: Closed the hearing on SB 2329.

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SB 2329
2/12/2019
Job #32594

- Subcommittee
 Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to the transfer of the international business and trade office from the department of commerce to the agriculture commissioner; and to international business and trade office.

Minutes:

Att. #1

Chairman Klein: Opened the committee work session on SB 2329. All members were present. I think you spoke on this a bit; it was in the Ag. Commissioner's budget to move these the chairman of the appropriations committee asked me to have a couple of bills to move these because he felt it was policy.

Tom Bodine, Deputy Commissioner, Ag Dept.: One of the things when it comes to the Ag commissioner, trade is absolutely necessary not only for agriculture but energy and also manufacturing around the state. He's had the pleasure of serving on the North Dakota Trade office as a member and actually supports those efforts not only in agriculture but also on the energy sector and also manufacturing. The commissioner again, it goes down to support of this area, we've had a great track record of supporting outside associations, groups, or boards, and this is one of the things when it looks at the public/private partnership between what the state does and the trade office is the same way. Going into the budget cycle, when we looked at going from \$2 million down to \$1.6 million, 20% cut in state support, this is an area which he had concerns about. So he was adamant that we need to continue to invest and be able to have that into the future. Some of the areas the commissioner serves on, he's also one of the areas, Commissioner Goehring is the current president of the food export Midwest, works for regional to build support and leverage the opportunity for North Dakota companies to be able to export around the world. So this is one of the things the Commissioner is huge on, he's had the opportunity to go on trade missions but also he understands the role that the trade board has in supporting those efforts and the department he feels would be one of those areas he feels he could support and continue to support not only the financial part but also in an active role in make sure that those missions happen and products move out of our state. See attachment #1 for additional testimony.

James Leiman, Department of Commerce: One thing I wanted to mention about the Trade office is, yes its correct over the last three biennia we've gone from \$2.6 million to \$1.6 million in our request this year. On the surface it looks like a horrible thing but the memberships

have actually grown as a result because it's been more or less the Red River Valley Ag. Office and what we've effectively done is we've started selling to energy producers and expanding our market horizons and the information technology as well as manufacturing. So as a result, even though it looks like a cost reduction, we're actually becoming much more effective and efficient because we're integrated more with the economic development efforts at commerce as well as with other partner agencies. In addition to that, I'll give you an example of the last month and a half, since we started speaking about this topic. We have roughly trade missions for various international venues over the next two years. All of those, with the exception of half of one trade mission, we're focused on agriculture. Since then, we've gone to the US commercial service and asked for specific data in biotech, energy tech, as well as manufacturing and we are now restructuring those trade missions to ensure two things; we know exactly which companies in those countries that we already had two years' worth of trade missions scheduled for, we know exactly which companies want to invest in the US, and two, we're actively working with foreign chambers of commerce here domestically in the US, so that when we have our select US conference in June, we can use those foreign nationals basically to bring more money into our state. There are companies literally waiting today, and not just from China, but eastern European, countries like Australia, etc., that have companies that want to come here invest in our technologies they want to invest in our agricultural products but they also want to buy from us as well. So we've expanded that mission footprint well beyond agriculture, so that we can maximize those efficiencies as I've mentioned earlier because with the \$1.6 million budget over two years, and the additional money that we're getting from new memberships, we're able to go to new members and show them new markets. And it goes back to the intermodal examples I cited earlier, where as we've continued to work together as a team, and we get these infrastructural components in place, we're much more attractive in terms of our export as well as our investment for import. So again speaking with the ag commissioner he agreed to go on a trade missions together so that we can take the data piece that I've referenced as well as his relationships piece and merge those together to be a more effective North Dakota. But at the same time, I want you to realize that commerce goes back to that mission, those three components of building communities, developing workforce, and economic development, and we feel like this is a critical tool and if it were to transfer, it might not be as effective and efficient just based on the fact that we're finally expanding our horizons and we're doing it with less money and more efficiently.

Vice Chairman Veda: When it comes to biofuels I can't imagine that the state of North Dakota brought it to their attention that there were more markets out there. I got a pretty good idea that they knew that before the state contacted them. But where did this \$200,000 go? If you're cutting and you're more efficient, does that mean you're more efficient across the board or are you able to move that to someplace else?

James: The way we found those new markets was through the US commercial service. And what we did was, using embassy networks that didn't exist before, we were actually able to bring all six plants and their plant supervisors to Fargo where we met with foreign nationals as well as embassy personnel and we were actually talking through five-year extensive contract negotiations for the Philippines, Japan, Korea, and India. So they understand markets very well and I realize that, but where they struggle is relationships between country and company. So what the dept. of commerce does in conjunction with the trade office is work through the embassy network to facilitate those relationships but also get the data from

the ground, because the federal government has 1200 contractors deployed globally that can tell us all the way down to the providence level what the demand is for those biofuels as well as the 20 year outlook for contracts and where they're expiring and this is how we get American manufacturers there cause we do know there's a 12-15% supply glut within biofuels. That said, to answer the second part of your question, so the trade office has undergone a reduction in staff, primarily over the last several years. They had some researchers there, and actually what happened is Commerce, utilizing its researchers has redefined based on their queries, and then also how we leverage the federal government to cover down on that research reduction. Interestingly, the data is more rich today because the federal government if you ask them the right questions, as well as state government, using our databases because we subscribe to different data sources, we're able to provide them literally country by country and all the way down to the company level in those countries, so that we can go back to the trade office as well as the embassy network, and say we want to meet with these six companies when we go on this mission, build this relationship over time so that when it's time for deal flow, we can help facilitate with all the programs we have at commerce.

Senator Roers: Can you address how the export market is from North Dakota to the rest of the world because of the tariffs that have been put in place? Where are we at today? Are we way behind, equal to?

James: We're a little behind because of the soy hit, and then what happened was Canadian as well as domestic class one rail carriers basically found a new market to move their product, one thing we're working on is maybe we can circuitously sell our product, also because of supply and demand imbalances, new markets open up. That said, we're having a really hard time moving it within other areas. Our primary problems are more or less getting it out of the state. So I'll take energy for example, we've got pipeline capacity and through point issues and what we're trying to do there is work extensively through an intermodal network, ironically in Minot, as well as a plant that can help process some of these biofuels. Does everybody know what intermodal means? It means you have to pack it one time instead of four. And you cut out all the middle men. So now we have these unique liquefied natural gas as well as other fitted cars that can go on special cars that can go on special trains that we can get to the pacific northwest. The problem we're having is the balance on the return trip, not to get too specific, but we have a throughput issue with energy, we just can't get our energy out. And then obviously the tariffs on the other side impact it. And then obviously China they don't want to buy certain products from us anymore as an extension of the tariff issues so it multiplies. Here's the good news before you ask the second question, we are literally working with those countries hand in hand to include an event in June, to ensure that once those trade barriers are lifted, North Dakota is the best position possible to get those products out of here, so that our export markets at about \$11 billion a year, the most dependent actually of any state on exports in the US, are ready to go.

Senator Roers: Address the ag commodity prices, soybeans look like they've moved up to about \$9, wheat and corn haven't moved a whole lot. What are we going to do to move those needles? The ag commodities that affect the farmers right now?

James: I can't really do anything. Truthfully there are specialty markets that we're looking at. It goes back to three things, when you look at Commerce, value added agriculture, we have

a multifaceted strategy that we shared with Ag and had them comment on. There's three pieces, the data rich environment so we know where we can sell our self, there's intermodal, and then there's farming of the future, autonomous farming. So to make that really specific, the more we save on expenditures for farmers, because we can't control global commodity prices, the better off our farmers, processors, identify preserve processors are. And everybody that sells to them because they have more money naturally because of fewer expenditures. We see the world differently because we can't influence global commodity baskets, but what we can influence is the inputs that go into that. Part of that is the Trade office and they technically lead the intermodal initiative on behalf of the state of North Dakota. We augment that, part of that is the technological and the ag tech work we're doing vibrantly today here in the state in various areas. Another component of that is, if we can find the buyers and find the ability to get out of this state, then again that input requirement on the farmer and processor side makes it more attractive to sell.

Senator Burckhard: It sounds like Commerce and Ag depend on each other, it seems like you work together a lot, either way?

James: Yes, Tom and Commissioner Goehring are very close to our APUC director as well as our economic developer. I don't think there's really any daylight in between. We're one team one fight, we can't do it without them, they can't do it without us, we're glad to work with them every day.

Chairman Klein: Senator Burckhard this intermodal thing has been discussed a long time. The state has invested in the intermodal a long time. I know the effort has been there, Minot has positioned themselves ready to go we just have to work on that market. The world has learned how to grow soybeans and corn and we are just trying to sell to people who need.

Senator Burckhard: Minot is setting itself up to go intermodal and be of service to the state.

Chairman Klein: Is that going on because the trade office is in the department of commerce? Would it change? You know this has been worked on a long time. I'm sure the ag commissioner is just as interested in this moving forward. The concern we have is that I'm sure most of these trade missions is the stability of the ag department. We know he's an elected individual, he should be there for four years as the door has been swinging at the department of commerce, makes people wonder. We've got great people now but there's nothing to say you won't find better opportunities somewhere else. Whereas the ag commissioner is stuck in that spot. My question being, the ag commissioner there is some sort of persona that comes with elected officials in foreign countries. I'm hoping we've slowed the swinging door down a bit but a new governor, new regime, new cabinet.

James: I'd like to address the intermodal issues, I did two combat tours and I grew up outside New York City and I made the decision to raise my family here. I really believe in my job, and you're right there is a revolving door but the reality is people come here for a reason and they see the potential and the growth and I believe in what I do and I'd like to continue it. And you're right I'm not an elected official nor have I been here as long.

Chairman Klein: I would only say that you're a great salesman, and whatever you're gonna do you're going to do it well and you are but I'm just saying you haven't developed that kind of commitment yet.

James: Regardless of where this program resides the ag commissioner is still going to come with us, because he's a critical component. Those relationships exist and they'll continue to exist. Other elected officials join him from time to time because there is that prestige with having elected officials. The point I'm trying to make, some of us may not have been here as long, but there is still continuity to the board structure that will not change. With respect to the intermodal, 20 years Minot has been promised a facility and a site, but it wasn't until six months ago that we refreshed that data, we've been selling 20 years' worth of data that was old. And it didn't quantify the demands for peas and lentils especially in eastern Montana and western North Dakota it's not the exports we really care about, it's the containers they're trying to get into the state. But nobody really took the time to meet with your larger facilities like Bobcat, that actually manufacture import things here that would have a container requirement. So suddenly we're finding that the major criticisms from the class one mail carriers were starting to mitigate. Granted they moved the goal post every time we answer the question. But we're getting closer because every time they move the goal post, we ask our biggest industry heads, to actually negotiate this on our behalf. So we have new data, new opportunities that they didn't know existed before, and we've challenged them to come back and challenge what they need so we can get Minot over the top.

Chairman Klein: When you say we is it the Dept. of Commerce or the trade office? Because isn't the Trade office just another department within the Dept. of Commerce?

James: It's actually a pass through office, but historically we haven't been as close as we should be so we've had a lot of inefficiencies that we've since changed. The Trade office executive director reports to a board structure that's chaired by the Lt. governor, the ag commissioner, commerce commissioner, and house majority leader all have permanent seats, so those are your four consistent members per charter, from the government that will always be on that board that can always go on trade missions regardless of where it resides. And then you have members that are board members. All but one is ag facing, and that's what we're trying to expand upon, we just got a new energy person we're talking to. So They are what we refer to as partner organizations and we have like six or eight. So if you look at the small business development centers throughout the state, we equate them as part of a larger tool set, so that we can be most effective in our jobs. The trade office is actually independent of Commerce, however, they're collocating an energy specialist in Bismarck because we feel like we've undercut the entire western part of the state with the exception of peas and lentils. And also we're looking at more tech facing, export driven ideas. It's unique. I hired a researcher in Fargo that specifically supports Commerce's research requirements but also the Trade Office's. It's a good relationship now that we're integrating, we're realizing those efficiencies like the \$200,000 that Vice Chairman Vedaa referred to. We're doing it less expensively, more efficiently and more effectively.

Chairman Klein: Closed the work session on SB 2329.

2019 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SB 2329
2/12/2019
Job #32613

- Subcommittee
 Conference Committee

Committee Clerk: Amy Crane

Explanation or reason for introduction of bill/resolution:

Relating to the transfer of the international business and trade office from the department of commerce to the agriculture commissioner; and to international business and trade office.

Minutes:

Chairman Klein: Opened the committee work session on SB 2329. All members were present.

Chairman Klein: I think there was some confusion. Vice Chairman Vedaa had some questions. Could we get both sides back up to clear some stuff up for us?

Tom Bodine, Ag Department: The Trade office is its own nonprofit outside of government. It's a public/private partnership between government and also private industry. And so the board is made up of twelve members four from government, the rest from private industry. The way the commissioner views it is, it is its own organization, it's state supported, it allows agencies like ours and commerce the ability to work with the trade office to make investments in trying to grow trade around the world. It's a great example, it was formed in 2004 as a nonprofit and in the commerce's budget it's a line item. Last session it was \$2 million and that's where we were hoping that support would stay. Its recommendation is now \$1.6 million, and yes Commerce is responsible for making sure those dollars get spent the right way but ultimately, it's up to that board to manage those dollars. Through the North Dakota dept. of ag, we have four grants through the farm bill with the North Dakota Trade office, where it is under a specially blocked grant program. We have grand dollars to go towards commodities that can match what those dollars can be spent with. We currently have four contracts in place so some of those dollars help missions to help companies that have peas, lentils, all the ability for those commodities to qualify to go on missions to see if we can gain more markets. The trade office is its own entity, state dollars go into it to benefit all of North Dakota agriculture and manufacturing and all businesses in North Dakota. It is its own entity but it is managed by commerce through dollars that go to it to make sure those dollars are spent.

Senator Roers: explain again, the \$1.6 million is appropriated through commerce but you have additional funds where more money can be given?

Tom: Yes, and there are other funding sources as well. We want to leverage as much ability to help us create trade relations on the global scale. If we can access those dollars, but it's really up to the trade office to do that. On agriculture, we provide the trade office information about how we can continue to grow and export and some of our market situations. The commissioner serves on there talking about energy and some of that other stuff. All government and private entities can work with the trade office trying to get their product. There's twelve events coming up and those are positive things because anytime it comes to trade, North Dakota producers are amazing when there's a market, we produce. But at the same time our dollar works against us when it comes to ag, so having those relationships are important. And making sure that countries know that we have a safe, reliable, consistent supply of that product. And sometimes we do make trade agreements when we are not the cheapest, but it's the quality and the relationships that are important when it comes to international marketing.

Vice Chairman Veda: Next to oil, what industry has the largest exports?

Tom: It's agriculture.

Senator Piepkorn: Does oil have more exports than ag?

Chairman Klein: Ag commodities represent more dollars than oil. Ag is still number 1 in North Dakota. And we are still the number one ag producer of 8 or 10.

Tom: We're twelve. On that note too, when you look at trade, a lot of our manufacturers is technologies produced by agriculture. A lot of businesses that we have in the state especially some of the areas we've sold equipment around the world, it's not just ag commodities. Well I mean we have been an innovator when it comes to technology, and a lot of times those are marketed around the world.

Senator Roers: How many other industries that aren't directly ag commodities or oil do we represent? The trade organization represents all of these industries, how many are there?

Tom: There's a plethora. When it comes to working with trade, it is that board that makes that decision. It's not us or commerce, it's the board office that makes that decision about what they work on. We work in conjunction a lot of times, and that is a positive thing. Some of the members on the trade office are private industry people that want to push not only their commodity but all commodities because we all benefit when we are able to pull resources together.

Chairman Klein: The hard part I'm trying to understand, if it's a standalone in the commerce dept. and a standalone in the ag dept., the benefit being that you think the ag commissioner will work harder to get more funds? Because it will still be managed by the board and will still be a standalone?

Tom: When you look at the recommendation of the governor's office, it was a cut of \$400,000 to the budget. From \$2 million down to \$1.6 million. It doesn't take away commerce's ability; it takes away what the North Dakota trade office is able to do because basically they are operating on less dollars. The commissioner says we don't want to see that investment lost

so we want maintain that level or increase the dollars to North Dakota trade office. That's where as a board member he wants to see that investment. Because without trade, we are landlocked. We need to be able to work on relations. It's not only working with different programs, its pulling all those together but you still have to have that initial investment to the trade office to continue their efforts.

James Leiman, director of Economic Development and Finance, Commerce Dept.: Today's trade office board disproportionately consists of folks involved in agriculture and I think that's part of the reason why they voted unanimously for the \$1.6 million. They did request an optional budget of \$400,000 so commerce did do exactly what the board instructed us to do. Took the \$1.6 million and conveyed that via the governor's budget. It's important that folks understand the members made that decision. They also made the decision to expand well beyond agriculture. Because with the exception of a couple crops any farmer or processes can tell you that because of the cyclical bites of either trade conflict or commodity prices due to a strong dollar, we're disproportionately impacted every time the price swings. So as a result that's why they wanted to move to energy, increase manufacturing output, more information technology sales via companies. Because they felt like, yes, \$11 billion of exports every year, by far are largest economic driver. \$5 billion of that is agriculturally related. The idea is to diversify ourselves against that so when we do have a cyclical impact, we're buffered. And that's why they want a position at commerce, collocated, focus exclusively on energy in Bismarck. They already voted for that unanimously with their \$1.6 million budget. And that's why we added research there to augment the work that was historically done that was no longer done. So that we might be standalones but we're really fully integrated so that you realize as tax payers, legislatures, farmers, processors, manufacturers, full efficiencies from the people that are doing the trade missions on your behalf. I will also add that the board met last Friday, unfortunately the commissioner could not make it, it was the second attempt, and they voted unanimously to recommend against transfer. I don't know if that surfaced here but that did occur. Primarily agricultural related folks, involving peas and lentils to the west all the way through as well as other markets in the east. So a very diverse perspective, they unanimously voted to keep it here and as we've said, yes there is a \$1.6 million budget but that is because we've realized full efficiencies in many areas so not only are we saving people money but we're able to do better, we've able to do it more effectively and we're able to do it faster. And instead of being reactive we're becoming much more proactive so when we do see these types of trade conflicts on the horizon, we automatically do have secondary and tertiary plans in place so that all of our exporters benefit, not just agriculturally related processers and farmers.

Chairman Klein: In that case as we're going to expand beyond agriculture, why wouldn't we want to dig in for the extra \$400,000? Why want less money to do more things?

James: Part of that is actually the consultancies we've had historically. We do have consultants that in the past just haven't provided the results. We had people stationed all over the world and we may get one or two leads a year that really don't materialize into anything. So in past practice that's absolutely correct. We had folks in Asia, we still have a contract we're sun setting to the west that isn't yielding the basic market intelligence and analysis necessary so we can expand our horizons. We're not only discovering efficiencies through contracts that didn't materialize historically but now because of that integration with commerce, we're able to give them real time data with our federal partners. That's the beauty

of this, for the price of one database you can actually leverage 30-40 because of those relationships we've brokered with the feds as well as all the way down to the local economic development level in Fargo-Moorhead, Grand Forks, Minot, Bismarck. A lot of these folks are providing us data we've never had before so you leverage, for the price of one, 30 or 40 multipliers to ensure that we have market driven intelligence and information necessary to expand. Plus 2 of their 5 staff are exclusively focused on agriculture. The other two support those events associated with those two relationship managers. So they made the smart decision to go after more energy markets based on the reductions. Yes, there was top line guidance that did happen, but at the end of the day they just aren't spending the kind of money that they used to because their members have declined 1/3 to almost 1/2. That's the biggest piece of feedback we get, you guys are the Red River Valley agricultural office, so as a result the first thing we did in conjunction with the trade office, we went out and find new members, mostly in the energy sector, because we believe the more memberships you have, the broader vision you have, but also the fewer dollars they're dependent on from state government. Also, those step grants that Tom mentioned are for education and travel and things like that. Regardless of where the office resides, step grants are always going to be a primary funding source. But when you look at the budget of the trade office today, I would estimate somewhere between 65-70 cents on every dollar comes out of the state budget. We want to get that number down to 50-50 through memberships and active participation from members so that we can export, grow those export sector, lower our economy, and not focus exclusively on two or three subsectors within agriculture.

Senator Burckhard: Often you've talked about real-time data is that information also shared with the ag commissioner?

James: We share it with the executive director who I presume shares it with his board. So the data is given to Simon who runs the operation but in some instances we looked at the twelve trade missions and we went to a biotech specialist within the US commercial service and said we've want at least twelve countries, we'd like between 5 and 10 companies in each of these countries that have been vetted by the embassies, so instead of just focusing on export, we're also focused on direct investment into our industries. So we took that data and gave it to a biotech specialist who does that on behalf of the state of North Dakota and he took that information and is now able to understand not only the trade missions, but at the same time as he runs his booth on behalf of the state of North Dakota in June in Philadelphia, he can actually work with embassy folks to get private meetings with companies with these buyers beyond ag.

Senator Roers: I just want to confirm, you said \$11 billion in exports that go out and \$6 billion of those are agriculture?

James: Yes, somewhere between \$5 and \$6 billion.

Senator Roers: So a sizeable amount is non-ag related?

Chairman Klein: Non-ag commodity or non-ag period? Because we talked about ag-related manufacturing. If we take the ag out of everything, do you know that number?

James: Instead of trying to reinvent the wheel here, we've realized our strengths. So naturally John Deere had an agriculture baseline, Bobcat has its infancy but now is construction. It was once an agriculturally focused entity that migrated into different entities. So most of these you'll find have their roots in ag. However, our economy has changed a lot in the last 50 years, it's not only ag but the energy portfolio and there us a very unique nexus in between. So if you look at 5 or 10 years, if you look out as the pendulum swings comes down on us from a regulatory perspective, as we continue to work with ag on this nexus we believe we can be positioned to basically capture what the federal government is going to take away from us, and monetize those things. So we're not just looking at previous how we got here, but also looking at the future so we can grow manufacturing, we can grow energy and same thing in tech. With the exception of Microsoft, a majority of our tech industry has their roots there as well. So that is the case.

Senator Piepkorn: Nexus isn't a word I use in my every day vocabulary. Could you please explain what you mean by that?

James: It's a connection. There was one abstention on the unanimous vote for keeping it within the Trade office.

Michelle Kommer, Commerce Commissioner: We've heard a lot of really good information here. I would just like to take one minute to bring us back to the question of what problem are we trying to solve. Where this started was in the appropriations hearing for the Ag. Department, the commissioner proposed the removal or relocation of these two pieces. We hadn't had an opportunity to discuss that, nor had that been discussed at the trade office board level, which has brought us all together here today. I've said to many of you, I have a great deal of respect for ag commissioner Goehring, his expertise, his passion, the work his done. I voted for him and will continue to do so. But I think as I visited with him, I honor his concern which he felt was that the North Dakota trade office's value had been diminished by virtue of it being part of the Commerce department. And also pointed to the budget being reduced as evidence of the value of the North Dakota Trade office being diminished. James has already explained how the budgeting process worked, and how we believed that the changed from \$2 million to \$1.6 million will not have consequence to the forward looking effectiveness. And furthermore, if we set that aside and say that isn't evidence that we diminished the importance, we've spent all of our time talking about that today. The North Dakota trade office is critical, is key for our strategy as a state to diversify economically. And where the Commerce dept. does add value, even though I acknowledge the North Dakota trade office is a separate entity and we pass money through there. They don't operate in a vacuum, nor should they, nor would our tax payers want them to operate in a vacuum. What we have to offer the trade office is the work that James has already spoken of, it's the research, the data, the evidence, and the support that we're able to give from the Commerce dept. through an existing team of economic developers, we will continue to work closely with the ag dept., and as we leave here today, I'm confident that no matter where this vote turns out, we will work well together. But we do firmly believe its best situated in the Commerce dept. simply because it does facilitate that close connection that we are developing real-time so that we can benefit from the excellent relationships that Commissioner Goehring has established, will continue to have, and will marry those relationships with some really focused data driven strategy to expand beyond ag when it comes to our exports.

Senator Kreun: Last spring, through the summer I had the opportunity to work with the Commerce dept. on intellectual property rights. Take everything and expand on what we've been sitting on for quite a while and it isn't just agriculture. We have to look at it as a broader spectrum, diversify and not depend on ag and oil the way we have. Our goal has always been to take what we have, expand on it and part of that is our research areas. Our expansion of the other organizations that we've heard about. And it makes a lot of sense to focus with our trade office in the commercial office and along with the ag dept. My recommendation would be to leave this office in the Commerce dept. because I've been a part of it, I know it's grown. We're trying to expand our whole state into one big economic engine. And I think we have a good opportunity to do that at this level.

Senator Kreun: Moved a Do Not Pass.

Senator Burckhard: Seconded.

Chairman Klein: Any other discussion? Unfortunately, I was in the wrong place at the wrong time and that's why we have these bills. But it was an opportunity at least to understand more of how these agencies and these two departments work, so whatever happens, I'm sure they'll still work together and we'll still move forward.

Vice Chairman Vedaa: I'm gonna vote against a do not pass because my district doesn't see much beyond ag, and I think agriculture is where this needs to be and I think we need to keep moving ag forward.

Senator Piepkorn: I would support a do not pass and if we come back in two years, and decide that this is a disaster then we can make a change then. We'll see how these efficiencies work and the teamwork works as far as advancing the trade overall.

A Roll Call Vote Was Taken: 4 yeas, 2 nays, 0 absent.

Motion Carried.

Senator Kreun will carry the bill.

REPORT OF STANDING COMMITTEE

SB 2329: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO NOT PASS** (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2329 was placed on the Eleventh order on the calendar.

2019 TESTIMONY

SB 2329



**Testimony of Doug Goehring, Agriculture Commissioner
North Dakota Department of Agriculture
Senate Bill 2329
Senate Industry, Business and Labor
Roosevelt Park Room
January 24, 2019**

Chairman Klein and members of the Senate Industry, Business, and Labor Committee, I am Agriculture Commissioner Doug Goehring. Thank you for the opportunity to appear before the committee. I am here today in support of Senate Bill 2329.

I have been involved with international marketing for over 15 years. Before entering public service, I was with the US Soybean Board in international marketing and worked with the United States Soybean Export Counsel. Currently, I am serving as president of Food Export Midwest which is a 13-state regional trade group. Exports are vitally important to our state and nation, not only for agriculture, but for ethanol, oil, gas, and manufacture equipment and products.

At present, 95% of the world's inhabitants live outside our borders, 80% of the buying power in the global market is beyond our borders, and 92% of new middle-class growth will take place beyond our borders in the next two decades. Clearly, we need to look beyond our borders to create and develop markets and relationships.

The Trade Office is a public private partnership that supports our exporters by coordinating trade missions, activities and market analysis with the assistance of US Commercial Services, Foreign Ag Service, and contractors in other countries.

The Trade Office also organizes reverse trade missions, trains interns for companies to utilize for product and market development, provides educational programs on federal laws, rules, and regulations, performs advocacy work on infrastructure and transportation issues, and provides

technical assistance on exporter documentation. In addition, NDTO manages grants for exporters from the Small Business Administration and USDA grants that come through the North Dakota Department of Agriculture.

No single entity can claim success for our ability to trade and market products abroad. It is a group effort with our partners at the federal and state levels with a commitment of resources made by our exporters.

We are challenged with higher tariffs and a strong dollar which means our products are not the lowest cost. In spite of that, we bring integrity and the safest, highest quality products to the global market and we have expanded our footprint to 137 countries.

I am proud of our companies, the partnerships we have developed with Food Export Midwest, the Small Business Administration, US Commercial Services, Foreign Ag Service, and Northern Crops Institute. I am grateful to the North Dakota legislature for their commitment to our companies' efforts to market outside our borders and support our local economy.

My decision to request the transfer of funding for this program was based on a lack of support within the Department of Commerce. Commerce's recommended budget has almost \$112 million increase with several new programs being added, and yet, there are recommended cuts to the Trade Office and the Ag Products Utilization Commission. Over the last few legislative sessions, the Trade Office was treated as an afterthought with division budgets being balanced at the expense of these programs and I am disheartened about this continued approach.

Chairman Klein and committee members, I ask for your support of SB 2329 and would be happy to take any questions.



**North Dakota Grain Growers Association
Testimony on SB 2329
Senate Industry, Business and Labor Committee
January 28, 2019**

Chairman Klein, members of the Senate Industry, Business and Labor Committee, for the record my name is Dan Wogsland, Executive Director of the North Dakota Grain Growers Association (NDGGA). Through our contracts with the North Dakota Wheat Commission and the North Dakota Barley Council NDGGA engages in domestic policy issues on the state and federal levels on behalf of North Dakota wheat and barley farmers. I appear before you today on behalf of NDGGA in support of SB 2329.

Chairman Klein, members of the Senate Industry, Business and Labor Committee, all of you know the importance of trade to the North Dakota economy. With our low population, in comparison to other states, there is no way that our state's population can consume all of the goods we create. A leader in trade, from North Dakota's perspective, is agriculture. For example, 50 percent of all North Dakota wheat is exported every year. Similarly, the state's barley crop is increasingly used in the Mexican market. These are but two examples of commodities that depend on trade for their marketability. With this dependence on trade it only makes sense to house the North Dakota International Business and Trade office within the North Dakota Department of Agriculture.

Committee members, NDGGA recognizes that not all North Dakota trade is agricultural in nature. That said North Dakota is blessed to have an Agriculture Commissioner in Commissioner Goehring who is an expert in the trade arena not only in agricultural trade but in the energy and manufacturing trade as well. Utilizing that expertise, coupled with the North Dakota Department of Agriculture's willingness to "take on" this responsibility, will definitely continue the North Dakota International Business and Trade Office's tradition of success.

Therefore, Chairman Klein, members of the Senate Industry, Business and Labor Committee, NDGGA comes before you today in support of SB 2329 and urges the Committee to give the bill a Do Pass recommendation.

NDGGA provides a voice for wheat and barley producers on domestic policy issues – such as crop insurance, disaster assistance and the Farm Bill – while serving as a source for agronomic and crop marketing education for its members.

Good Morning Chairman Klein, my name is James Leiman and for the record, I am the Director of Economic Development and Finance at the North Dakota Commerce Department. I would like to spend a few minutes today explaining why the Commerce Department opposes relocating the North Dakota Trade Office to the Commissioner of Agriculture. First, I would like to highlight that Commerce has worked closely with the NDTO and has not only improved its performance but is accomplishing the mission for almost \$1 million less per biennium than what has been historically appropriated.

The NDTO is much more than agriculture. Commerce believes the NDTO is a critical force augmentation tool for economic development and foreign direct investment efforts. Exports are critical for the health of the North Dakota economy. Annual exports of goods for North Dakota comprise almost 20% of our GDP making us the number one state for reliance on exports. Historically, the NDTO has disproportionately represented agricultural producers and processors, primarily in the Red River Valley. Moving forward, NDTO will expand its manufacturing, energy and tech memberships with the assistance of Commerce to ensure continued economic and trade diversification. As evidenced by this commitment, the NDTO board has authorized, in the 2019 budget, a specialist located in Bismarck at the Commerce office. To optimize efforts, further integration between NDTO and Commerce must occur.

NDTO is growing into the energy and manufacturing space. In addition, ND Commerce is leading an initiative involving the NDTO, state government and federal assets to strengthen and focus on precision economic development. This effort is geared to ensure that Commerce uses data from a suite of sources to micro target companies for relocation or investment into North Dakota. Once these companies are identified, foreign missions throughout the world are tasked with providing ND Commerce with an introduction, e.g. a firm in Europe or Asia looking to manufacture energy equipment in North Dakota. Through this introduction, Commerce can then work with the NDTO to cross reference trade missions and build a rapport with the company or its investors using NDTO personnel. This process builds toward larger trade shows where Commerce can grow the relationship into real-time deal flow. We are already engaged and benefiting from this model. As such, ND gets access to 30 databases, foreign connections and can leverage extensive networks using this ND Commerce led continuum. An integrated trade office and commerce strategy only strengthens the state's economic diversification push.

The NDTO is an economic diversification tool. Relocating the NDTO to the Agriculture Commissioner will unlikely enable the NDTO to realize its maximum potential. We are rapidly growing energy exports, leading efforts to introduce intermodal transportation options to the state and will continue to effectively market North Dakotan products and services overseas using this tool. The Trade Office continues to work well within the continuum of services and programs that Commerce can offer North Dakotan businesses. We are also rapidly reengineering the state's Foreign Direct Investment strategy in conjunction with NDTO to diversify the state's economy as like many of you, we are concerned about the state's disproportionate reliance on energy and agricultural cycles. As a result, the Department of Commerce respectfully opposes this bill.

NDTO and Commerce have deployed a cost-effective relationship. I will also add that Commerce has worked with the NDTO and has created additional efficiencies for taxpayers while improving the NDTO's ability to deliver. Membership has grown due to Commerce and NDTO integration and service delivery. We can accomplish this for \$1 million less than what has been historically appropriated. During the 2013-2015 biennium, ND spent \$2.6 million, 2015-2017- \$2.5 million, 2017-2019, \$2 million and given additional efficiencies that we have been able to realize, the Governor requested \$1.6 million for the next biennium. We continue to grow memberships thereby reducing dependence on government coffers and further diversifying North Dakota's economy. This concludes my testimony and I am happy to entertain any questions you may have.



SB 2329 1/28/19 Att #4

Testimony of Mason Sisk
Economic Development Association of North Dakota
In Opposition to SB 2329
January 28, 2019

Chairman Klein and members of the Senate Industry, Business and Labor Committee:

My name is Mason Sisk, and I represent the Economic Development Association of North Dakota (EDND). I am testifying in opposition to SB 2328.

EDND represents large and small and rural and urban economic development organizations on the front line of growing businesses and communities in North Dakota. The primary purpose of the organization is to promote the creation of new wealth throughout North Dakota to develop more vibrant communities and improve quality of life.

One of EDND's top legislative priorities is the diversification of North Dakota's economy. Over the last decade, unpredictability in oil and agriculture activity has highlighted North Dakota's need to invest in other industries. The North Dakota Trade Office supports exports that diversify the economy, such as technology, manufacturing and energy. EDND feels that moving the Trade Office to the Ag Department would likely focus the program on agriculture and inhibit its potential for diversification of other industries.

In addition, the Trade Office is only a part of a larger economic development strategy. The Trade Office acts as an arm of the Department of Commerce, identifying foreign business investment opportunities in North Dakota as it works with international customers and then coordinating them with other programs in the Department. Keeping business development programs together creates a "one-stop shop" for local developers with questions about programs, which would benefit their communities. Removing the Trade Office from Commerce could result in lost opportunities for business owners and the state.

Ultimately, whether the program is housed in the Department of Commerce or the Department of Agriculture, a majority of the trade office's funding will be determined by the legislature. EDND would ask you to keep the program at the Department of Commerce where it is being effectively and efficiently run in conjunction with other economic development programs and to fund the program at an appropriate level.

The North Dakota Agriculture Commissioner's mission is to serve, advocate, protect and promote agriculture to benefit everyone. This creates opportunities for us to develop marketing opportunities locally, regional and internationally. An elected official is directly accountable to the people and Legislature regarding the performance of programs.

North Dakota Trade Office (NDTO)

- The Commissioner serves on the NDTO Board of Directors.
- The Commissioner currently works with the consulate general, attaché and ambassadors that are located in other countries, as well as the US Commercial Service and Foreign Ag Service, to ensure issues on trade barriers and tariffs are discussed and their impacts on our manufactured products, commodities and produce are being addressed.
- The Commissioner has a longstanding relationship with agriculture, energy and manufacturing.
- Commissioner Goehring is the current President of Food Export Midwest and works regionally to build support and leverage resources for our ND Companies through the NDTO.
- The Commissioner leads and participates in multiple trade missions every year and has a thorough understanding of foreign markets.
- The Commissioner sits on the Norther Crops Institute (NCI) board or directors, which serves to support our exporters with promotion and market development of crops grown in this four-state region and is a resource for the NDTO. NCI is an international meeting and learning center that brings together customers, commodity traders, technical experts, and processors for discussion, education, and technical services. Since 1983 over 133 nations have sent participants to NCI.
- Elected officials open more doors with foreign governments on trade missions creating opportunities for companies with more access for success.
- The Commissioner has a dual marketing and regulatory role that is both vital and necessary to support marketing products in a global economy. We issue Sanitary and Phyto Sanitary Certificates, Certificates of Free Sale, Health and Certificates of Origin.
- The Commissioner has been diligent in responsibly administering the funding authority that has been granted by the Legislature.
- The Legislature has added programs to the Department of Agriculture based on a high level of trust and performance.
- The Department of Agriculture has a vast experience in administering grant funds.

Ag Products Utilization Commission (APUC)

- The Commissioner has developed an industry-centric focus to grant programs and will bring this approach to APUC.
- The Commissioner believes in collaboration and partnerships to extend the benefits of this program.
- The Commissioner will work with the Legislature and the agriculture community to ensure proper funding and resources are committed to APUC.
- The Commissioner will work hard to link APUC with state, federal and industry-originated programs to support innovation and support North Dakota's agriculture economy.