

1999 HOUSE AGRICULTURE

HB 1399


1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1399

House Agriculture Committee

Conference Committee

Hearing Date 1-28-99

Tape Number	Side A	Side B	Meter #
TWO HB 1399	x		5.1 to 50.0
		x	0.0 to 55.0
THREE HB 1399	x		0.0 to 07.5
Committee Clerk Signature 			

Minutes:

Summary of bill: relates to the wheat tax levy and its use.

Chairman Nicholas: Sponsor of bill. Fighting the battle, need to arm the Wheat Commission with more funds to help the ND Farmer. Need to give the ND wheat commission the ammunition they need to fight the battle.

Rep Nichols: Lend support to St Wheat commission and this bill to help the ND farmer.

Rep Dalrymple: Want to get across to the committee how serious this issue really is. How farmers have naive belief that everything will come out in the future. Oat industry used to be a large part of our economy and now we import 70% of the oats we use. We are giving up the commodity markets we use everyday to other countries. We have to make a decision. Are we going to fight for these basic industries and help them survive or do we just give up.

Canada and US are producing grains at regularly high levels. Can't tolerate this much longer.

Canadians are dumping cattle in to the US below the costs of production. Cattle prices are at the lowest level they've been in years. Have to make a decision soon as to how long we are going to allow that. I feel there are wheat farmers out there who believe the Canadians aren't out to destroy our industry. We are asking for a mill levy increase to help fight that battle.

Allen Lee: Chm of St Wheat Commission.. concern in this mill levy increase request. Before we had time to promote it now with this one there isn't time. We get the question all the time, is this money going to be used for what it is intended? One advantage that we have is that 6 members of the Commission are farmers elected by the farmers. That's our assurance that it will be used for what its intended. Canadians are passing information in Washington D C that US can't produce enough HD Wheat and Durum to satisfy our own markets.

Rep Rennerfeldt: How many \$ would this bring into the coffers of the Wheat Commission?

Allen Lee: 2 mills would bring in \$560,000 dollars per year.

Neal Fisher: ND St Wheat Commission, (Testimony attached) We've used nearly \$168,000 already to address trade policy & issues. Chart provides you with some answers to trade issues. Unfair trade practices in 130 other countries around the world. Up coming WTO round of talks this year. Very disappointing only tool being used is give away program. He then presented the financial outlook for the Wheat Commission.

Rep Brusegaard: Major thrust of your remarks is the Canadian Issue. How much does low Canadian dollar have to do with this issue?

Neal Fisher: Hes sure some of the problem pertains to this.

Rep Renner: Did Rep Dalrymple statement that 2 mill increase dedicated to trade issues?

Neal Fisher: Bill 1399 states they may use this money to support efforts in the commission involvement in Trade Issues.

Others testifying:

Jerome Anderson: Mountrail county

Curt Trolson:

Mark Buhle: Pres ND Durum Growers

Ken Bursch: ND FB in favor of wheat check-off. Have some concern that we are taking some authority away from board of commissioners.

Mark Stiz: ND FU In favor of wheat check-off.

Marshall Craft: Stanley Farmer

Ron Selver: Know area farmer

Lewis Custer: Stanley area farmer

Tom DeKrey: Steel, member of Grain Growers board of dir.

Don Nelson: Keene area Rancher

Opposition to HB 1399

Kelly Shockman: In opposition to HB 1399. former ST rep. His position representing the NFO. In America if your going to promote sale of your product. What share of the room in a persons stomach is yours. Many complain of the check-off now and what it's spent for.

Louie Arnold: Esmond area farmer Basically opposed to way this check-off is being promoted. We didn't have a chance to get support or opposition, which ever it may be, to it. Didn't even hear about it until 2 weeks ago. should only legislate a chance for us producers to vote on the

Page 4
House Agriculture Committee
Bill/Resolution Number Hb 1399
Hearing Date 1-28-99

issue and see if the majority want to increase the check-off or not and then what we want to do with it.

Chairman Nicholas: We only have 90 days to do something about this.

Motion by Rep Renner for a DO PASS second by Rep Brandenburg

Vote total.. YES 15 NO 0 ABSENT 0

Motion carried

Carrier; Rep Renner

FISCAL NOTE

JAN 26 1999

(Return original and 10 copies)

Bill/Resolution No.: HB 1399 Amendment to: _____

Requested by Legislative Council Date of Request: 1-20-99

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

Narrative: Passage would increase the check-off paid by North Dakota wheat producers on each bushel of wheat sold in the state from 8 mills to 10 mills (or 1 cent), a 2/10 of a cent increase. Estimated annual revenue is determined by taking this year's (1998) total North Dakota wheat acreage of 9.7 million acres and decreasing it by 10% to 8.8 million acres due to economic and environmental (disease) factors. Annual production using a 30 bushel average yield is estimated at 264 million bushels. This quantity would generate revenues at \$4,752,000 per biennium.

- 2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:		\$3,926,939		\$4,752,000		\$4,752,000
Expenditures:		\$4,208,010		\$4,418,410		\$4,639,331

- 3. What, if any, is the effect of this measure on the appropriation for your agency or department:
 - a. For rest of 1997-99 biennium: The North Dakota Wheat Commission has continuing
 - b. For the 1999-2001 biennium: appropriation.
 - c. For the 2001-03 biennium: _____

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

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

If additional space is needed, attach a supplemental sheet.

Signed *Neal Fisher*

Typed Name Neal Fisher

Department ND Wheat Commission

Phone Number 328-5111

Date Prepared: Jan. 22, 1999

Date: 1-28-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1399

House AGRICULTURE Committee _____

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Renner Seconded By Brandenburg

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

Total (Yes) 15 No 0

Absent 0

Floor Assignment Renner

REPORT OF STANDING COMMITTEE (410)
January 29, 1999 9:33 a.m.

Module No: HR-19-1455
Carrier: Renner
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1399: Agriculture Committee (Rep. Nicholas, Chairman) recommends **DO PASS**
(15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1399 was placed on the
Eleventh order on the calendar.

1999 SENATE AGRICULTURE

HB 1399

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1399

Senate Agriculture Committee

Conference Committee

Hearing Date 3/4/99

Tape Number	Side A	Side B	Meter #
1	X		5606-END
1		X	0-END
2	X		0-1278
3	X		1872-5290
Committee Clerk Signature <i>Cristina Jorgensen</i>			

Minutes:

Senator Wanzek called the meeting to order, roll call was taken, all were present.

Senator Wanzek opened the hearing on HB 1399.

Representative Nicholas introduced the bill. Bill puts extra mills on wheat levy for the ND

Wheat Commission. Thought was to use that additional money for trade issues. Wheat

Commission has done well in the past to help maintain durum market.

Representative Nichols spoke in support of the bill. Made a point as to the success in this area

with Rcalf program. With this bill and ability to set aside money we are going a long way to

help our farmers and ranchers in the state in the future.

Senator Klein: Without the line 4 paragraph the wheat commission would not have ability to

look at the trade issue, is that why we noted it in here?

Representative Nichols: I don't think that it would prohibit the wheat commission from participating in the trade issue. Addition on page 2 provides some direction to put money aside for use with this purpose.

Senator Urlacher: You mentioned trade problems with Canada, there is nothing specific about Canada in this, and it is optional in what direction they can use this.

Representative Nichols: Correct.

Senator Kroeplin: On the word may, they don't have to use this for trade.

Representative Nichols: No.

Senator Sand: For us to blame Canada doesn't stock up with me, this is a trade issue. Could you comment on all of our trade going to Canada.

Representative Nichols: It isn't a level playing field as far as the way the agreements were made. There were people and businesses that faired well when the agreements were made but we were told at the time that it wouldn't be good for our area and for our farmers and ranchers. We need to do the best we can to level the playing field.

Senator Sand: Nobody mentions chemical prices, that's where our fight is isn't it?

Representative Nichols: That is one of the disagreements.

Senator Kinnoin: We have to remember this is producer funded.

Senator Urlacher: Those producers who do participate, is it mandatory?

Representative Nichols: No.

Alan Lee, ND Wheat Commission Chairman, spoke in support of the bill. This effort originated from grass root effort. Affecting all of us. An increase is needed and will be well used. The effort will have to be explained after the fact.

Senator Sand: The political embargoes that are in place, is there anything we can do about that?

Alan Lee: We are working on them.

Senator Sand: Referring to India, it was a slap in the face with the embargo, this is the problem with working on Canada.

Senator Wanzek: I don't see this as an effort to beat up on anyone it's an effort to protect.

Alan Lee: This is not against Canadian farmers.

Neil Fisher from the ND Wheat Commission spoke in favor of the bill. Explained the handouts that were passed out.

Brad Haugeberg from the NDGDA spoke in support. Question on the need for paragraph four.

Senator Klein: What's going to come out?

Brad Haugeberg: Could have people come in and suggest a certain portion of the money be spent on certain target audiences in the future.

Senator Klein: The board will still be in charge in the way the money is being spent, don't you think they will weigh all the issues.

Brad Haugeberg: We are confident the commission will do the right thing.

Curt Trulson a durum farmer from Mountrail County spoke in support of the bill. Talked about history of bill. Went through and discussed bill.

Senator Sand: How much do we grow.

Curt Haugeberg: 141 million bushels were raised in US. Used about 90-100 million, which means we need to export about 40 million bushels a year.

Ken Birtsch from the ND Farm Bureau spoke in support of the bill. Feels there is a problem with section 4, feels it sets dangerous precedent.

Mark Sitz from the ND Farmer's Union spoke in support of the bill. Testimony enclosed.

Senator Klein: ND isn't the only wheat producing state, seems like we are trying to shoulder all of this ourselves.

Mark Sitz: I would agree with that.

Kelly Shockman spoke neutrally on the bill. Testimony enclosed.

Ron Selzler, a farmer from the Rugby area spoke in support of the bill. Testimony enclosed.

Tom DeKrey spoke in support of the bill. Testimony enclosed.

Ken Swenson, President of the Sunflower Association spoke in support of the bill. Testimony enclosed.

Donald Vig spoke in support of the bill. Feels that a sunset should be put in place and that a report should be required.

Senator Wanzek closed the hearing on HB 1399.

Discussion was held.

Senator Sand made the motion for a Do Pass on amendment to add on line 13.

Senator Kroeplin seconded.

Senator Sand made the motion for a Do Pass as Amended.

Senator Kroeplin seconded.

ROLL CALL: 7 Yes, 0 No

CARRIER: Senator Kinnoin

Date: 3/4
Roll Call Vote #: 2

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1399

Senate Agriculture Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended Appropriations

Motion Made By Sand Seconded By Kroeplin

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

Total (Yes) 6 7 No 0

Absent _____

Floor Assignment Senator Kinnoin

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

REPORT OF STANDING COMMITTEE (410)
March 8, 1999 3:06 p.m.

Module No: SR-41-4278
Carrier: Kinnoin
Insert LC: 90776.0103 Title: .0200

REPORT OF STANDING COMMITTEE

HB 1399: Agriculture Committee (Sen. Wanzek, 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). HB 1399 was placed on the Sixth order on the calendar.

Page 2, line 13, after "issues" insert "throughout the world"

Renumber accordingly

1999 SENATE APPROPRIATIONS

HB 1399

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1399

Senate Appropriations Committee

Conference Committee

Hearing Date March 18, 1999

Tape Number	Side A	Side B	Meter #
1	x		97-4211
Committee Clerk Signature <i>Kathleen C. Kotteleroock</i>			

Minutes:

SENATOR NETHING: Opened the hearing on HB1399; A BILL FOR AN ACT TO AMEND AND REENACT SECTION 4-28-07 OF THE NORTH DAKOTA CENTURY CODE, RELATING TO THE WHEAT TAX LEVY AND ITS USE.

ALAN LEE: Chairman of North Dakota Wheat Commission and farmer from Berthold, North Dakota and to testify in support of HB1399 (tape 1, side A, meter 97-323). This bill has been a grass roots effort brought about by concern of farmers and concerns the Canadian trade issues. I feel good about this bill. We've had good support from both Chamber ag committees and all the phone calls I've had concerning this bill have been positive. They are mostly concerned about it's passage and if we are going to be able to do anything. Our Wheat Commission has had a long history of when an issue like this comes up, recognizing what the issue is and then taking the appropriate steps. One of the problems has been with doing anything on trade issues is the lack of money. With shorter crops and decreasing acres, our revenues have gone down. This will be used primarily for trade issues, the Canadian issues are primary. We also have trade issues with the Chinese and the European communities. The Canadians are underselling us in all of our markets. They're using a lot of tactics to try and discredit us. It is going to take a lot of money. (tape 1, A, meter 97-400)

SENATOR SOLBERG: I see taxes put on but never see them come off. What would happen if a sunset was put on a portion of the check-off and that way it would be revisited in two years.?

ALAN LEE: I understand the sunset and I don't have a real strong feeling about that. I'm not sure if two years would be sufficient. These trade issues often have long tails and there's support issues that go on afterwards. That's one thing that always scares us about getting into trade

issues. If you do file it, that's the easy part, then you have to monitor it and revisit it every two years with the Federal Trade Commission.

SENATOR SOLBERG: I've had farmers contact me on this and their concern is that this is being sold as a look into the trade situation. How will we know if this is being effective in two years, and with the sunset, you would revisit it every two years? Can you justify the rise?

NEAL FISHER: Administrator of the North Dakota Wheat Commission, testified in support of HB1399 (testimony attached (tape 1, side A, Meter 490-1280).

SENATOR NETHING: On the bottom chart on the financial outlook, you don't have any refunds scheduled for '99-01 and '01-03. Is something triggering that?

NEIL FISHER: In the fine print down there, we figured refunds at 3-4% right off the top so that those numbers you are looking at in terms of check-off collected at \$4,752,000 for example in the '99-01 biennium would be net dollars. Refund dollars have been running 4.4% of late. In the mid 1980's it was as high as 8% and we've been as low as 2.1%. There is considerable variation. (tape 1, Side A, Meter 1470)

SENATOR NETHING: Part of the money is for trade issues, do other states like Minnesota and Montana join with you if you have a problem with Canada?

NEIL FISHER: Yes, we do get some help. Probably more moral support than financial. What the Canadians produce are spring wheat and durum. Exactly what we produce. We produce 80% of the durum and 54% of the spring wheat in the country, the impact is felt even though the wheat never stays in North Dakota. The impact is felt most directly by those of you who sit around this table and everyone you represent in the state. That is why our producers tend to be a little more passionate about this.

SENATOR KRAUTER: Can walk us through the fiscal note because when I multiply it out I come up with \$5.28M, not \$4.752?

NEIL FISHER: I think what we are looking at in the fiscal note is when we look at the numbers that were used to construct the collections, we had a draw down there because of the lower average. I think we used a 264 or 265 million bushel crop and the refund factor was put in there at about 4% and there is a fee factor as well. That's the reason it was constructed in that manner.

SENATOR SOLBERG: Neil, would you address the sunset on this?

NEIL FISHER: As we have indicated in the handouts, most of these issues are, if in fact a trade case were filed there are a lot of other things that go on in this whole realm of trade policy that are ongoing. At this point, the Commission is spending about a \$184,00 per year on trade policy issues that are ongoing. As we move into the WTO talks with Canada that are beginning, it's a big opportunity. We have chance to have the incoming Chairman of the US Wheat Association, from Washington, will be our wheat ambassador to the WTO. We have an ongoing project with

China to lift the ban on PCK. At this point, we can't ship wheat through the Pacific Northwest ports, where 50% of our exports move to China. We have to go the more costly route through the Gulf and China has pretty well locked us out of the market. So there are all of these other trade issues that are ongoing and I think we need the funding to continue. The expenses are ongoing. (tape 1, Side A, Meter 1992)

SENATOR NAADEN: Why aren't we able to move wheat via the west coast?

NEIL FISHER: This only pertains to China; the shipment of wheat through the Pacific Northwest. The PMW states have what they call TCKSmut. We don't have this, but the fact that it can contaminate the system, the Chinese will not allow any wheat to come through Pacific Northwest ports because of a sanitary issue. It has been there for 25 years, but it has intensified in recent years as the trade relationship with China has become more intense.

SENATOR BOWMAN: If a sunset was put on this all it would amount to was an update every two years. I don't see anyone here that would stop that from happening as long as we see continuing progress towards the goals you just talked about

NEIL FISHER: There has been a demonstrated commitment with this board. This subject came up in the Senate Ag Committee and the Chairman pointed out that this commodity group along with all the others makes a report at each session before the joint Senate and House Ag Committees to do just that. To report on what we do, the copies of our audits are in there and the annual report that shows where the money was actually spent and the results of these various efforts. (tape 1, A, Meter 2350)

SENATOR LINDAAS: Has there been an honest effort to work out collaboration between the other seventeen states that have the wheat check-off programs? It would seem to me that united efforts by all wheat producers along this line would have much more impact and we'd be less fragmented in the overall picture.

NEIL FISHER: Yes, if I had a little more time to explain our relationship through US Wheat Associates on the area of broader scope of trade policy and the market development circles. We have a lot of support and there is definitely a unified effort. At the last US Wheat Associates meeting, they passed a resolution to give unanimous support on taking on the Canadians - at least in principle. We have a resolution that was passed unanimously by all of the states to support this.

SENATOR LINDAAS: Do you ever feel you are competing with wheat associations in the other states?

NEIL FISHER: No, we don't. Generally speaking there is a lot of harmony and unity, especially in these trade policy areas and the general framework of market development efforts. However, we try to carve out as much market share as we can.

SENATOR LINDAAS: I was addressing more marketing rather than production. Since we are on the border with Canada, I think we take the brunt of the Canadian imports. Has there ever

been an idea looked at that when the Canadians dump their grain within North Dakota that perhaps they pay part of the North Dakota check-off?

NEIL FISHER: I agree with you. Certainly the impact is felt here. We monitor every shipment of Canadian wheat that comes in on a monthly basis. The vast majority of it doesn't come through North Dakota, it comes through the Great Lakes. What is marketed here in North Dakota is subject to the check-off. (tape 1, B, Meter 2830)

LANCE SKAVEY: Executive Director of the North Dakota Grain Growers Association, testified in support of HB 1022. We are supporting this bill and the increase. The trade issues are beyond Canada. We support the increase of 2 mills per bushel for the wheat commission. We are concerned and would like to draw your attention to our concern about paragraph 4, section 4 of the bill that says it will be used for trade issues. We think this sets kind of a mandate for all check-off groups that is kind of the hot topic this year. (tape 1, A, Meter 2833-3020)

SENATOR ST. AUBYN: About your comment, it doesn't say mandate.

LANCE SKAVEY: You are correct, it says it may be used for trade issues. It does say that 20% of this money will go for trade action.

JOHN BOLLINGBERG: Chairman of the Ag Coalition, testified in support of HB1399. We support the 2 mill addition. We will support some of the concerns in the earlier testimony.

SENATOR NETHING: CLOSED the hearing on HB1399.

Discussion. There have been some questions at the weekend forums. More interest and support, but nothing negative. Senator Solberg would like to offer a Sunset Amendment. .

SENATOR SOLBERG: Moved do pass a sunset amendment.

SENATOR LINDAAS: Seconded the motion.

Discussion. Senator St. Aubyn wondered if farmers have the ability to ask for the refund anyway. If they disagree with that tax, they have ability to ask for a refund. Senator Solberg said they certainly do, but I think a lot of people would support the increase. I think there may be questions about the effectiveness. I believe there would be more wide spread support for the added check-off if there was a sunset. Senator St. Aubyn asked if the sunset was on the 2 mills or is it on the entire check-off? Senator Solberg stated just the two mills. Senator Bowman supports the sunset. Senator Krauter stated he believed in what the commission is doing. I don't have a problem with the sunset that calls for a reporting back to us. Senator Naaden supported the sunset. Senator Tomac stated he supported the Commission, but I am going to resist the amendment because I think they have a reporting procedure in place. I don't think we need the sunset.

SENATOR NETHING: Called for the vote on the motion on the amendment, 90776.0104 to HB1399 (which is the sunset).

Vote of hands - 8 Yeas; 6 Nays; 0 Absent & Not Voting.

SENATOR NETHING: The amendment is adopted.

SENATOR TOMAC: Moved DO PASS HB1399 AS AMENDED.

SENATOR ROBINSON: Seconded the motion.

ROLL CALL: 14 YEAS; 0 NAYS; 0 ABSENT

MOTION CARRIED TO DO PASS HB1399 AS AMENDED.

SENATOR NETHING: We will refer this back to the Ag Committee.

SENATOR SOLBERG: Will carry the amendment on the floor.

SENATOR NETHING: Closed the hearing on HB1399.

Date: 3-18-99
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1399

Senate APPROPRIATIONS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number 90776.0104

Action Taken DO PASS

Motion Made By SENATOR Seconded By SENATOR

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman					
Senator Naaden, Vice Chairman					
Senator Solberg					
Senator Lindaas					
Senator Tallackson					
Senator Tomac					
Senator Robinson					
Senator Krauter					
Senator St. Aubyn					
Senator Grindberg					
Senator Holmberg					
Senator Kringstad					
Senator Bowman					
Senator Andrist					

Total (Yes) 8 No 6

Absent 0

Floor Assignment SENATOR SOLBERG

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

Date: 3-18-99
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1399

Senate APPROPRIATIONS Committee

Subcommittee on _____
or
 Conference Committee

✓ Legislative Council Amendment Number _____

Action Taken DO PASS AS AMENDED

Motion Made By SENATOR TOMAC Seconded By SENATOR ROBINSON

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg	✓				
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac	✓				
Senator Robinson	✓				
Senator Krauter	✓				
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Back to Referral

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

REPORT OF STANDING COMMITTEE

HB 1399, as amended: Appropriations committee (Sen. Nething, Chairman) recommends FURTHER AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1399, as amended, was placed on the Sixth order on the calendar.

In addition to the amendments adopted by the Senate as printed on page 643 of the Senate Journal, House Bill No. 1399 is amended as follows:

Page 1, line 2, after "use" insert "; and to provide an expiration date"

Page 2, after line 13, insert:

"SECTION 2. EXPIRATION DATE. This Act is effective through June 30, 2001, and after that date is ineffective."

Renumber accordingly

1999 TESTIMONY

HB 1399

**TESTIMONY BY MARSHALL CRAFT
BEFORE
HOUSE AGRICULTURE COMMITTEE**

HB 1399

Chairman Nicholas and members of the Committee.

My name is Marshall Craft. I am a durum farmer from Stanley, North Dakota.

In Stanley the Dakota Quality Elevator today is buying durum for \$2.95 per bushel. We cannot produce durum for \$90.00 per acre.

The total imports of durum into the United States for the last two years are estimated at 52 million bushels. Our ending stocks this year will be approximately 63 million bushels.

I'm here to show my support for House Bill 1399. I'm convinced that the North Dakota wheat farmer has to establish an account - funded by the wheat farmer for the sole purpose to finance investigations and legal expenses for pursuing international trade actions.

The cost of an antidumping and a countervailing duty petition with the United States government can reach \$2 million.

I would like to see a fund built from a \$2 million check off collected by the North Dakota Wheat Commission. I also want immediate action by March of this year for a law firm to investigate whether Canada is unfairly

dumping durum into the United States. We can't afford to wait any longer due to low prices which are forcing farmers out of business.



Grains of Truth About U.S.- Canada Wheat Trade

Neighbors. Allies. Trading Partners. Competitors.

Since the U.S.-Canada Free Trade Agreement (FTA) and the North American Free Trade Agreement (NAFTA) became effective in 1989 and 1994, respectively, North America is rapidly becoming an integrated market for agricultural products.

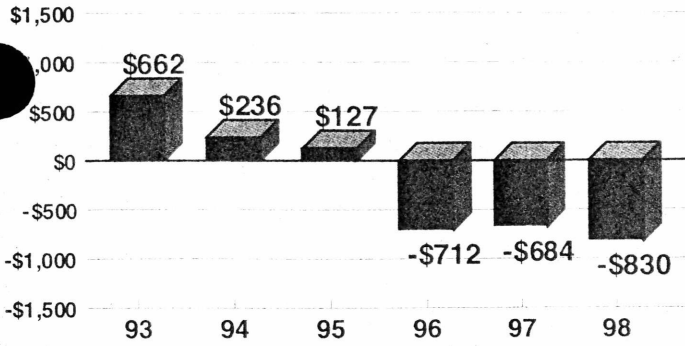
In reviewing U.S. trade with Canada for land-based agricultural products (excluding fish, seafood, lumber, tobacco and cotton) between 1993 and 1998, it is apparent that the value of goods traded between our two countries has grown markedly, but that on balance, U.S. agriculture is falling behind. According to U.S. Census Bureau data, the United States enjoyed a positive overall agricultural trade balance with Canada until 1996, when the scales tipped \$712 million in Canada's favor. Imports have continued to outpace exports in 1997 by \$684 million and in 1998 by \$830 million.

The United States exports fruits, vegetables, poultry, corn, soybean meal and other grain products to Canada, while Canada enjoys the benefits of cross-border trade in wheat, barley, oats, canola, and live cattle and hogs.

Many important agricultural trade issues and inequities need to be addressed between the United States and Canada. Grain trade has been liberalized to a limited degree, but many trade barriers still exist. This publication focuses on U.S.-Canada wheat trade, providing various production, usage and trade statistics plus other factual information.

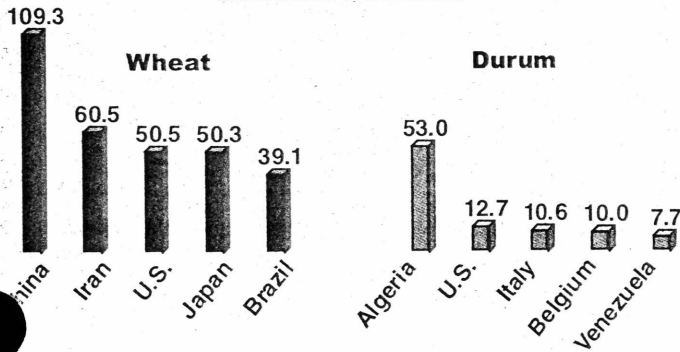


**U.S. AGRICULTURAL
TRADE BALANCE WITH CANADA
BY CALENDAR YEAR — \$MILLION**



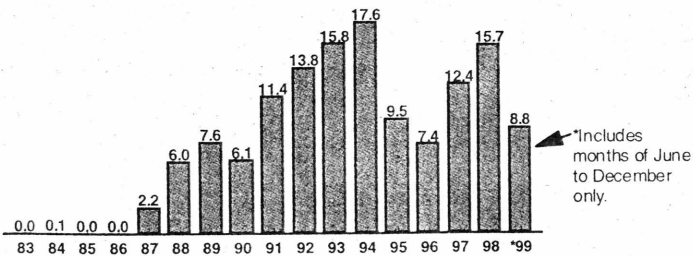
For land-based ag products (excluding seafood, lumber, tobacco and cotton)
Source: U.S. Census Bureau

**TOP 5 EXPORT MARKETS FOR CANADIAN WHEAT
FIVE-YEAR AVERAGE (1994-98)
MILLION BUSHELLS**



Source: Canadian Grain Commission

**CANADIAN DURUM EXPORTS TO THE U.S.
BY MARKETING YEAR (JUNE-MAY)
MILLION BUSHELLS**



Source: Canadian Grain Commission

The balance in agricultural trade has tipped in Canada's favor. During the period 1993-1995, the United States had a \$341 million average surplus in agricultural trade with Canada. However, during the period 1996-1998, the United States incurred a \$742 million average annual deficit in agricultural trade with Canada.

The overall value of agricultural trade between our two countries is growing, but the United States must ensure that this growth does not become completely one-sided.

Canada has been increasingly targeting the United States as a market for its wheat.

Though certainly not a ranking American farmers wanted to achieve, the United States is on average Canada's number two destination for all wheat exports combined, second only to China.

U.S. imports of Canadian durum have more than doubled between 1990 and 1998.

Durum imports from Canada reached 16 million bushels in the 1997-98 marketing year, the highest level since 1994 when tariff-rate quotas were imposed as a result of a Section 22 trade investigation. Canada exported very little durum to the United States before the U.S.-Canada Free Trade Agreement became effective in 1989.

U.S. imports of Canadian red spring wheat were nine times greater in 1998 than in 1990.

Spring wheat imports were at 48.5 million bushels in marketing year 1997-98, compared to 50 million bushels in the previous marketing year and 33 million in 1995-96. Again, Canada exported very little spring wheat to the United States prior to the U.S.-Canada Trade Agreement's implementation in 1989.

Wheat is not a generic commodity. Hard red spring wheat and durum are specialty wheats with special purposes. Because of their unique end-use characteristics, substitution from other wheat classes is limited.

Hard red spring wheat is known for its high protein and strong gluten properties. It is used to make yeast, hearth and other specialty breads, plus it is blended with lower protein wheats as an improver.

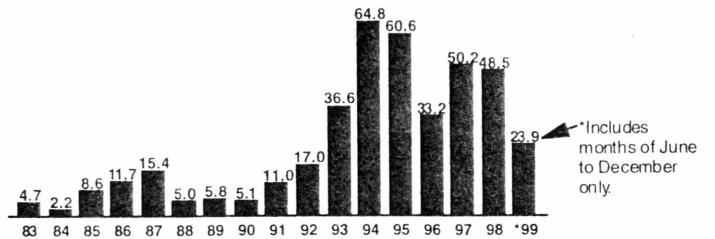
Durum is the hardest of all wheats, amber in color and very high in protein, which corresponds with gluten strength. For these reasons, durum is the raw ingredient of choice in premium pasta.

Canada's wheat production consists almost entirely of hard red spring and durum wheat.

While the United States is the major exporter in terms of all wheat, Canada is the dominant player in the global market when it comes to spring wheat and durum.

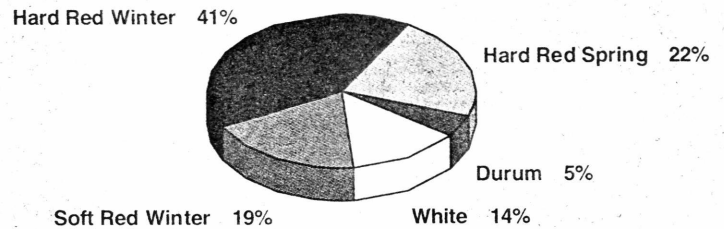
On average Canada produces 1.5 to 2 times the amount of hard red spring and durum wheat produced in the United States, but has only about one-tenth the population to consume the crop. Consequently, Canada exports an average 72 percent of its annual wheat production and is the chief competitor of U.S. farmers for markets demanding high protein spring wheat and durum.

CANADIAN SPRING WHEAT EXPORTS TO THE U.S. BY MARKETING YEAR (JUNE-MAY) MILLION BUSHELS



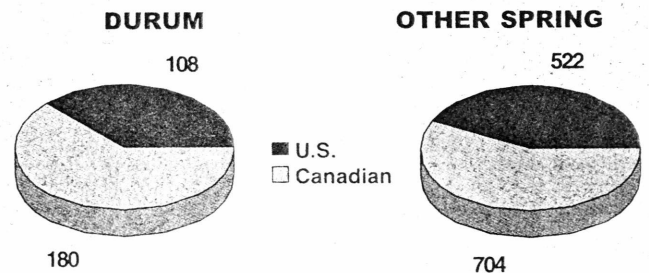
Source: Canadian Grain Commission

U.S. WHEAT PRODUCTION BY CLASS FIVE-YEAR AVERAGE (1994-98)



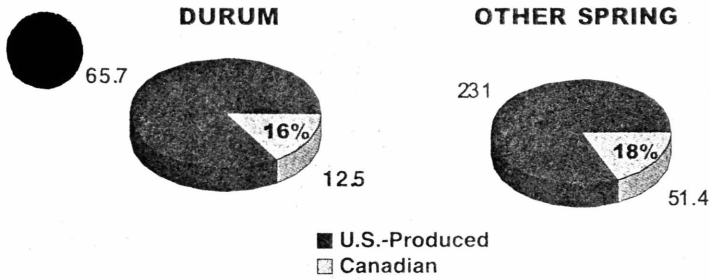
Source: USDA Crop Production Summary

U.S. AND CANADIAN WHEAT PRODUCTION MILLION BUSHELS FIVE-YEAR AVERAGE (1994-98)



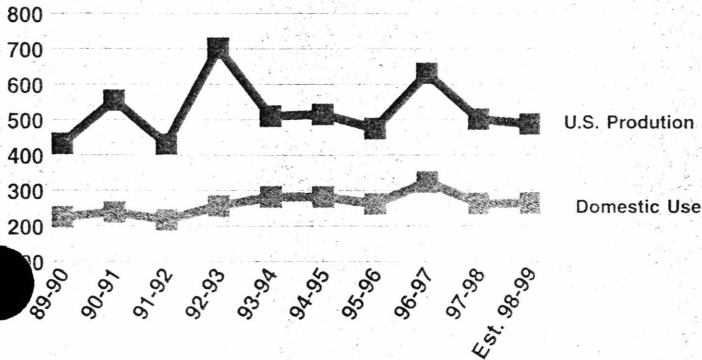
Source: USDA, Statistics Canada

**WHEAT USAGE IN THE UNITED STATES
MILLION BUSHELS
FIVE-YEAR AVERAGE (1994-98)**



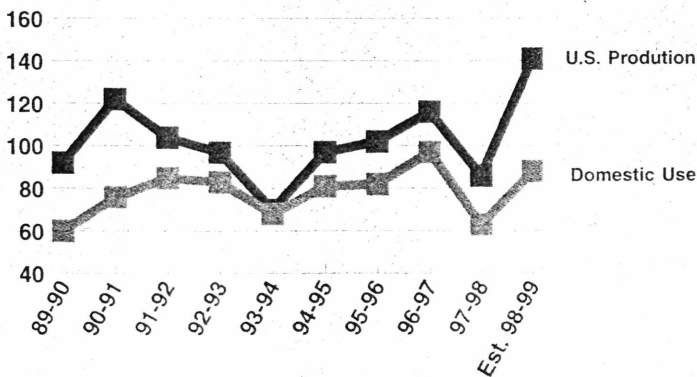
Source: USDA, Canadian Grain Commission

**U.S. HARD RED SPRING WHEAT
PRODUCTION AND DOMESTIC USE
MILLION BUSHELS**



Source: USDA

**U.S. DURUM PRODUCTION AND DOMESTIC USE
MILLION BUSHELS**



Source: USDA

Every bushel of Canadian wheat that enters the U.S. market directly displaces one bushel of wheat from American producers. From 1993-94 through 1997-98, Canadian imports have accounted for 16 percent of domestic durum usage and 18 percent of domestic spring wheat usage. The situation for durum in 1997-98 worsened, with imports equalling 25 percent of domestic demand. This sort of market penetration lowers U.S. farm-gate prices, weakens the economy of the Northern Plains and in 1998 raised taxpayer outlays in the form of larger loan deficiency payments.

U.S. farmers produce enough hard red spring wheat and durum to meet domestic needs. On average, U.S. production of spring wheat at 522 million bushels annually is nearly double the amount used domestically for food, seed and residual purposes at 277 million bushels. The proportion of the crop that grades No. 1 and No. 2 has averaged 75 percent over the last five years, which provides ample supplies of high quality spring wheat from which domestic millers can choose.

U.S. durum supplies have been somewhat tighter during the last decade, but production still exceeds domestic use. U.S. production of durum has outpaced domestic use in all but one of the last 10 years. In 1998, durum production is nearly double the estimated domestic consumption level. The overall tighter production-to-use ratio for U.S. durum has prompted the Canadian Wheat Board to argue that U.S. processors need its durum. On the contrary, imports have been a chief factor behind declines in U.S. durum prices and corresponding dips in acreage and production, particularly during the early 1990s. The situation became a self-fulfilling prophecy. U.S. pasta manufacturers became increasingly dependent upon a foreign government for their raw material. Tariff-rate quotas, implemented in Sept. 1994 and unofficially enforced through 1996, helped reverse this trend by cutting import levels in half. Prices recovered and durum plantings also increased.

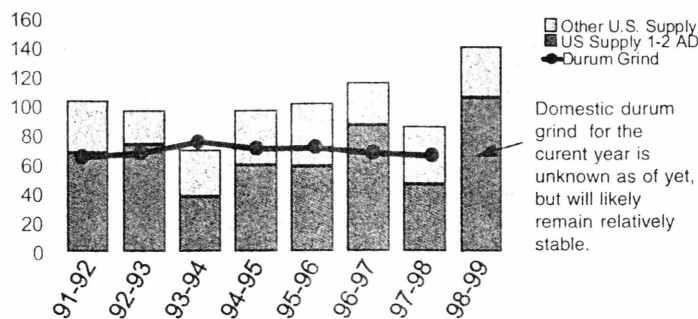
Despite abundant U.S. production of No. 1 and No. 2 grade durum in 1998, imports from Canada continue at a pace similar to the previous marketing year. Producers in North Dakota, Montana, South Dakota and Minnesota produced 110 million bushels of durum wheat in 1998. Combined with a 31 million bushel crop from California and Arizona, total U.S. durum production is pegged at 141 million bushels. According to crop quality analysis and inspections, an estimated 75 percent (106 million bushels) grades either No. 1 or No. 2 Amber Durum (AD) or better. U.S. farmers have produced the quantity and quality needed to satisfy domestic durum grind needs and will continue to do so if they can prevent Canada from parasitizing their industry.

Any suggestion that U.S. processors seek Canadian wheat for its quality is a fallacy. U.S. spring wheat and durum have an average protein content 1 to 2 percentage points higher than Canada's offerings. Protein content corresponds with gluten strength, which affects dough mixing and loaf volume in bread wheats. In durum, protein plays a nutritional and functional role. USDA requires that enriched pasta contain a minimum 12.1 percent protein, meaning millers want durum with at least 13.0 percent protein. Additionally, protein content in semolina correlates with gluten content and, in turn, mechanical strength and cooking quality. Also related to quality, cargo surveys reveal moisture content that is typically 1 percentage point lower in U.S. spring wheat compared to Canadian spring wheat. Drier wheat stores better and has more economic value.

Imports have a price damaging effect. Increases in Canadian durum exports to the United States between 1993-94 and 1995-96 caused U.S. prices to drop 6.5 to 15.3 percent, according to a 1998 study by North Dakota State University agricultural economist Won Koo.

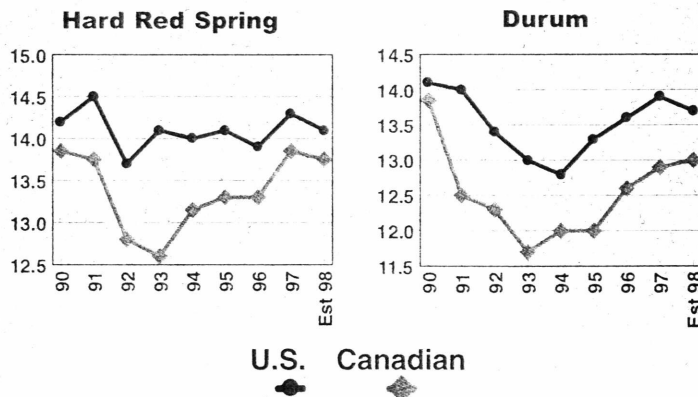
The price reductions caused the average income of U.S. durum producers to decrease by \$47 to \$64 million each year from what it would otherwise have been.

U.S. PRODUCTION OF NO. 1 AND 2 GRADE DURUM COMPARED TO DOMESTIC DURUM GRIND (MILLION BUSHELS)



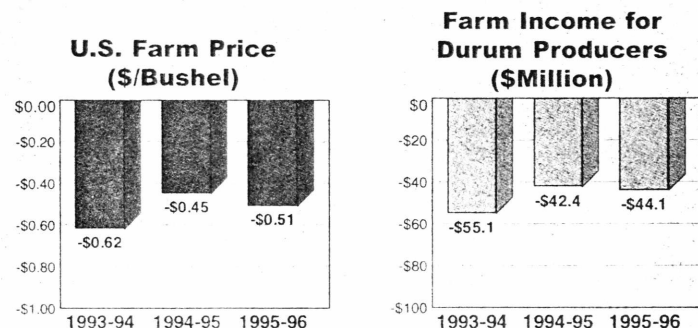
Source: USDA Economic Research Service, North Dakota State University Cereal Science Department, California Wheat Commission

PROTEIN PERCENTAGES IN U.S. AND CANADIAN WHEATS (12% MOISTURE BASIS)



Sources: North Dakota State University Cereal Science Department, Canadian Grain Commission

PRICE AND INCOME LOSSES DUE TO CANADIAN DURUM IMPORTS

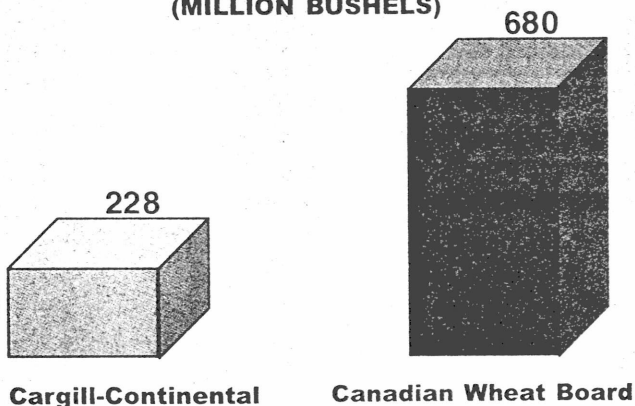


Source: The base scenario presented in "Bilateral Trade of Durum Wheat and Barley Under CUSTA and Implications for Farm Price and Income," Won W. Koo, March 1998, Department of Agricultural Economics, North Dakota State University

**U.S. AND CANADIAN
GRAIN MARKETING SYSTEMS**



**COMPARATIVE MARKET DOMINANCE BY MAJOR
WHEAT EXPORTING ENTITIES
(MILLION BUSHELS)**



Sources: October 1998 General Accounting Office Report, Statistics Canada, Associated Press

**WORLDWIDE REPORTS OF CANADIAN WHEAT
BOARD TRADING PRACTICES**

Mexico

- Canadian spring wheat sold for prices equal to U.S. hard red winter wheat

China

- No. 3 spring wheat price equal to U.S. soft red winter (\$.54/bushel discount)

Philippines

- Standing offers at \$.14-\$.19/bushel under U.S. spring wheat prices

Sri Lanka

- Canadian spring wheat sold for \$.55/bushel below open market replacement cost

Source: U.S. Wheat Associates

The United States and Canada handle grain sales very differently. In the United States, private grain companies compete to buy and sell grain. They transact business on an individual basis, relying on many sources of U.S. price information including spot reports and futures markets. Export companies draw their grain from the market. They cannot sell at a loss on one deal with assurance of making it up later or averaging it out during the year. In contrast, grain trade in Canada is dominated by the Canadian Wheat Board (CWB), a government-backed entity known as a state trading enterprise (STE). The CWB has sole control over the purchase of grain in Canada for export and is the sole exporter of this grain. Prices at which the CWB sells its grain are not transparent. There really is no market price in Canada, except as set administratively by the CWB.

The Canadian Wheat Board is a government-backed monopoly that operates without commercial risk. A foremost priority in future trade negotiations should be the monopolistic, non-transparent and predatory trading practices of the CWB. It is ironic that the proposed acquisition of Continental by Cargill generates more scrutiny by the U.S. government than the CWB's operations. The Cargill-Continental merger would reportedly control 20 percent of U.S. wheat exports, equal to 228 million bushels, based on a five-year average. In contrast, the CWB controls annual average wheat exports of 680 million bushels. It is the largest grain marketing board in the world, handling about 20 percent of the world wheat and barley trade.

Canadian export subsidies are subtle, but decimating. The European Union is fairly forthright with its export subsidies, and until being shelved in 1995, the U.S. Export Enhancement Program (EEP) was also transparent and above board. In contrast, the CWB relies on discounted price offers, bonus deliveries, delayed payments and other favorable contract terms — none of which are feasible for private companies that face commercial risk.

The CWB publicly admits that it charges different prices in various export markets as part of its export strategy. The CWB has flexibility in adjusting its export prices because it initially pays farmers only 70 to 75 percent of expected final returns. It then provides an interim payment, and in some cases, a final payment.

Canadian producers do not pay the full cost of transportation.

Canada eliminated its subsidy on rail rates for grain to inland and terminal destinations in 1995, but indirect support remains. Freight rates from comparable points in western Canada to Vancouver are 70¢ per bushel cheaper than for similar distances from North Dakota and Montana to U.S. Pacific Northwest ports. Canada retains statutory, cost-based, distance-related rail rate caps for grains grown in western Canada only. Furthermore, about 70 percent of the grain hopper car fleet in western Canada is owned by federal or provincial governments and dedicated exclusively to western export grains. Meanwhile, U.S. wheat cannot be shipped to Canadian export facilities, nor benefit from cheaper Canadian rail rates. U.S. wheat can only transit through Canada as an alternative route to U.S. ports.

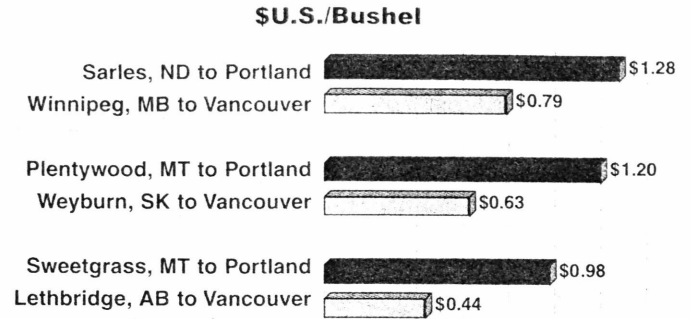
On average, Canadian farmers do not receive a premium for their wheat.

Given some advantage on rail costs, and the allegation that the CWB sells at a premium, prices received by Canadian farmers should exceed those received by U.S. producers. However, a study by North Dakota State University agricultural economist Dr. Bill Wilson shows that U.S. growers receive \$.50 to \$.75 per bushel more than Canadian growers.

When North Dakota and Montana prices are adjusted to reflect the effects of past Export Enhancement Program (EEP) subsidies, Wilson found U.S. prices to still be generally higher than those in Saskatchewan. He says possible reasons for lower prices in Saskatchewan include Canada's higher cost grain handling system and hidden costs such as port demurrage. Additionally, because of investments in the U.S. grain handling and transportation system, Wilson says the U.S. system is more efficient and thus, producers are able to sell and move grain when prices are highest, even during short periods within the marketing year.

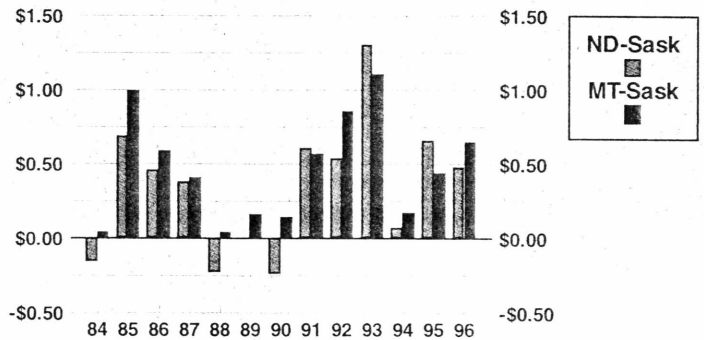
If Canadian farmers had a fair and open market into which they could sell their wheat, U.S. farmers' concerns — about both cross-border trade and competition in third-country markets — would be limited to cost of production issues. Every time the CWB undercuts market prices anywhere in the world, it is not returning to Canadian farmers the full value of their wheat. If the CWB does such a great job of marketing, Canada's government would not need to grant it strictly enforced monopoly powers.

COMPARISON OF 1998 FREIGHT RATES TO U.S. AND CANADIAN WEST COAST PORTS FROM INTERIOR CROSS-BORDER SITES



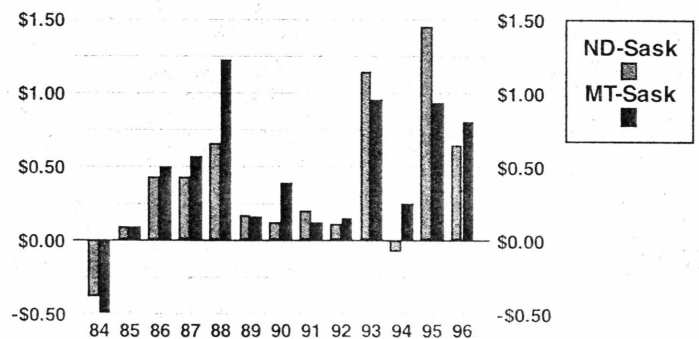
Source: Dr. Bill Wilson, North Dakota State University Agriculture Economist

DIFFERENCES IN SPRING WHEAT PRICES RECEIVED BY U.S. AND CANADIAN FARMERS (\$U.S./BUSHEL)



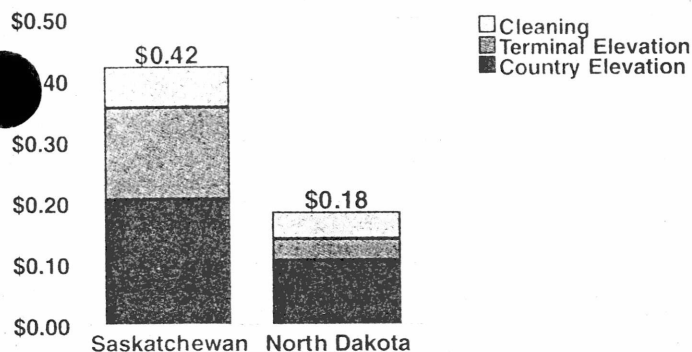
Source: North Dakota State University Agricultural Economics Department, Statistics Canada, Sask Ag and Food, USDA-NASS

DIFFERENCES IN DURUM PRICES RECEIVED BY U.S. AND CANADIAN FARMERS (\$U.S./BUSHEL)



Source: North Dakota State University Agricultural Economics Department, Statistics Canada, Sask Ag and Food, USDA-NASS

1998 GRAIN HANDLING COSTS IN CANADA AND THE UNITED STATES (IN CENTS/BUSHEL)



Source: Dr. Bill Wilson,
North Dakota State University Agriculture Economist

Eliminating trade barriers that prevent U.S. wheat exports to Canada is valuable in principle. However, from a practical standpoint, Canada's small population base places a natural limit on export opportunities for U.S. wheat.

1998 POPULATION



CANADA
29.5 MILLION



UNITED STATES
270 MILLION

Trade flows should be market driven and fair. This cannot occur as long as Canadian farmers do not have choices on where to sell their wheat, as long as there is no real market pricing mechanism in Canada, and as long as the CWB continues to have an export monopoly and the power to set prices arbitrarily.

Though Canada has no volume restrictions on imports of U.S. wheat, many other hurdles are strategically placed. Both Canada and the United States produce different classes of wheat. Within each class are different varieties, or genetic lines, that all have relatively uniform characteristics. Unlike the Canadian government, the United States does not limit registration of varieties nor require that varieties be distinguishable by

visual kernel characteristics. This means most U.S. varieties, though they are appreciated by millers worldwide, are not registered in Canada. Thus even top quality milling wheat from the United States can only be legally sold in the Canadian grain marketing system as "feed" wheat at a sharp price discount to recognized Canadian Western Red Spring Wheat or Canadian Western Amber Durum varieties.

While this strict varietal control system removes economic incentive for shipping U.S. wheat north, it does not mean U.S. varieties are not grown in Canada. Grandin is an example. At the time of its release in 1989, this top-of-the-line U.S. hard red spring wheat variety out-yielded Canadian varieties by 10 to 15 percent, or 5 bushels per acre. Many Canadian farmers opt to achieve higher yields and higher prices by selling Grandin and other unregistered varieties into the U.S. marketplace.

The U.S. Export Enhancement Program (EEP) can no longer be fingered as a magnet for Canadian imports. EEP essentially raised U.S. wheat prices above world wheat prices. Although the program has been idle since 1995, Canadian imports have increased, as have U.S. stocks, causing prices to plummet.

The weaker Canadian dollar provides some benefit to the Canadian Wheat Board. When the CWB sells grain on the international market, it is paid in U.S. dollars. The exchange of funds from these sales increases revenue in Canadian dollar terms when the Canadian dollar is falling. According to the CWB, the increased revenue generated from exchange rates goes back to farmers through pool accounts.

World Trade Organization (WTO) reporting requirements for STEs are too general to determine if the CWB and other STEs use improper pricing. The CWB admittedly relies on price discounts to capture market share in other countries, so it is naive to believe the board operates more honorably in the U.S. market. The United States must establish leverage to convince Canada to provide the pricing information necessary to determine whether it is selling wheat for less than true market value.

HB 1399
3/18/99

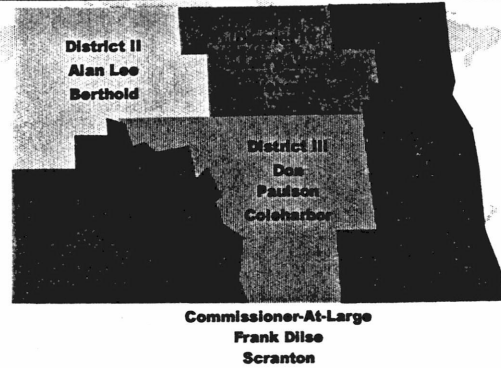
NEA Fisher

MISSION

To improve the economic well-being of North Dakota wheat producers and the economy of North Dakota by developing, promoting and servicing domestic and international markets.

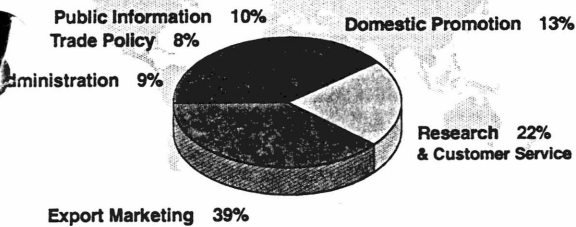


PRODUCER-CONTROLLED: BOARD OF COMMISSIONERS



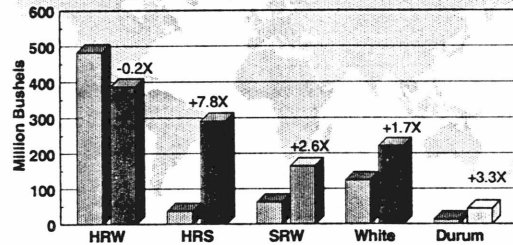
1998-99 BUDGET - \$2,120,979

Nearly \$168,000 already used to address trade policy and issues.



HRS & DURUM EXPORTS GROWING FASTER

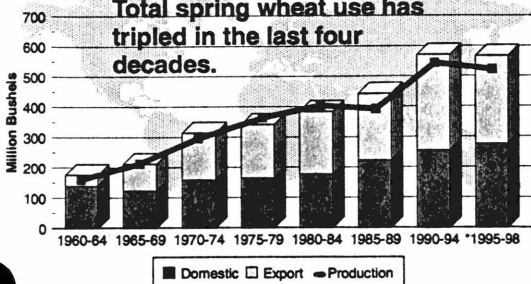
U.S. Wheat Exports by Class (1960-64 Compared to Est. 1995-98)



U.S. spring and durum wheats have fared very well in the export market compared to other classes of U.S. wheat.

PRODUCTION AND DISAPPEARANCE OF U.S. HARD RED SPRING WHEAT

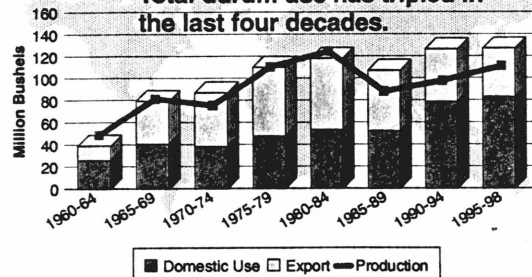
Total spring wheat use has tripled in the last four decades.



NDWC 12/4/88
NF 53A

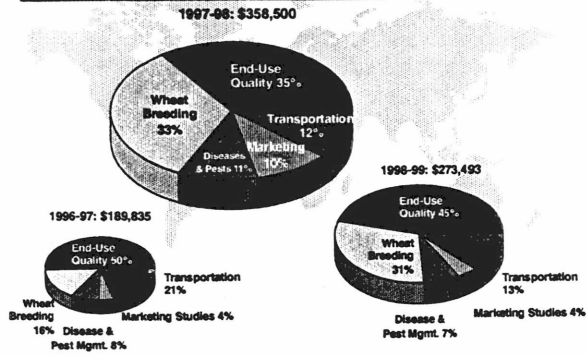
PRODUCTION AND DISAPPEARANCE OF U.S. DURUM

Total durum use has tripled in the last four decades.



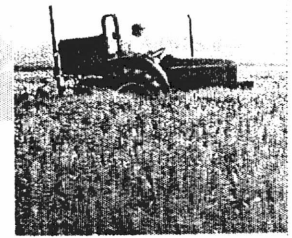
NDWC 12/4/88
NF 53-1a

CHECKOFF-SUPPORTED RESEARCH AT NDSU



RESEARCH HELPS MAINTAIN PRODUCER COMPETITIVENESS

- Fungicide experiments improve scab control.
- New durum and white wheats released in 1998.
- Scab-resistant spring wheat up for 1999 release.

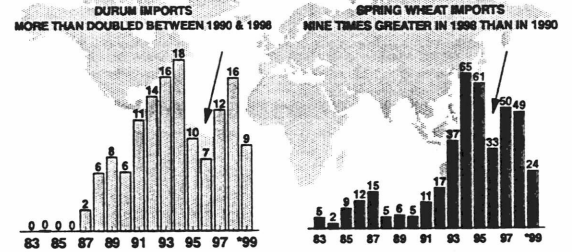


TRADE ISSUES

- Predatory Canadian trading practices are an immediate concern.
- Have displaced U.S. spring and durum wheats in domestic and offshore markets.



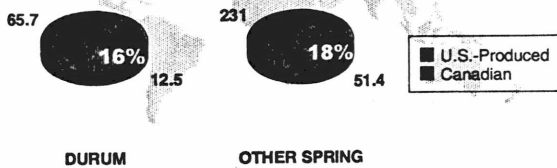
SECTION 22 INVESTIGATION HELPED, BUT ... IMPORTS BACK ON RISE



Source: Canadian Grain Commission
*98-99 includes months of June - December (first half of marketing year)

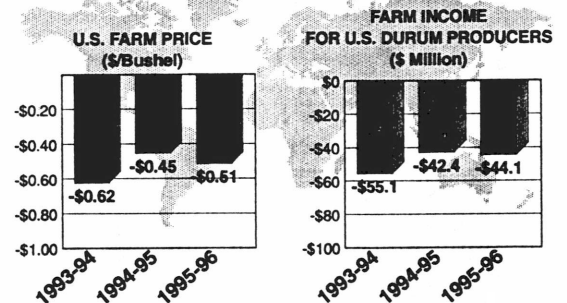
WHEAT USAGE IN THE U.S.

Every imported bushel displaces one bushel produced by an American farmer.
(Million Bushels - Five Year Average)



Source: USDA and Canadian Grain Commission

PRICE AND INCOME LOSSES DUE TO CANADIAN DURUM IMPORTS



Source: NDSU Agricultural Economics Department

WORLDWIDE REPORTS OF CANADIAN PRICE DISCOUNTS

- China
 - No. 3 spring wheat price equaled U.S. SRW (\$.54 discount)
- Philippines
 - standing offers at \$.14 to \$.19 per bushel under U.S. spring wheat prices
- Sri Lanka
 - CWRS sold for \$.55 a bushel below open market replacement cost



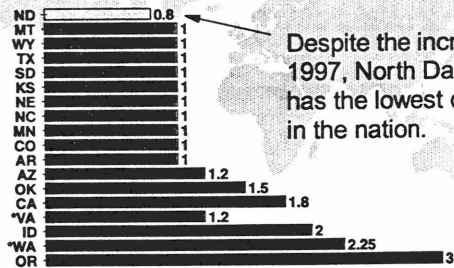
- Mexico
 - CWRS sold for HRW price
- Venezuela

U.S. WHEAT PRIORITIES FOR WTO TALKS

- Export subsidies
- State Trading Enterprises (STEs)
 - Canadian Wheat Board
 - Australian Wheat Board
- Domestic support levels (\$100/acre in Europe)
- Phytosanitary issues
 - Kamal bunt
 - TCK smut
- Genetically-modified organisms (GMOs)
 - herbicide-resistant wheats
- Dispute settlement process
- Time limits on compliance with agreement



18 STATES HAVE WHEAT CHECKOFF PROGRAMS



Despite the increase in 1997, North Dakota still has the lowest checkoff in the nation.

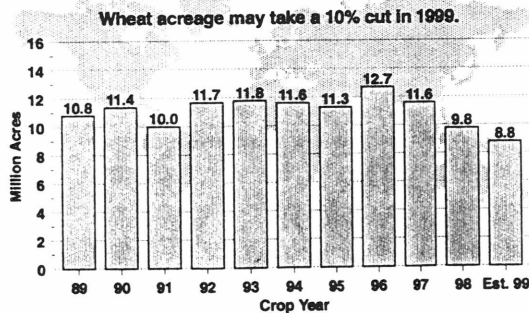
(\$ cents per bushel)

*One-half percent of net sales price.

CHECKOFF INVESTMENT

- 8/10 of a penny per bushel amounts to:
 - \$8 for every 1,000 bushels
- Average producer's contribution (@ 30 bushels/acre) is:
 - 24 cents per acre
- 500 acres of wheat
 - \$120 annually
- 1 penny per bushel amounts to:
 - \$10 for every 1,000 bushels
- Average producer's contribution (@ 30 bushels/acre) is:
 - 30 cents per acre
- 500 acres of wheat
 - \$150 annually

N.D. PLANTED CROP ACREAGE



N.D. WHEAT COMMISSION FINANCIAL OUTLOOK

	July 1 to June 30			
	Actual 95-97 (5 mills)	Estimated 97-99 (8 mills)	Projected 99-01 (10 mills)	Projected 01-03 (10 mills)
Beginning balance	1,209,597	723,664	318,713	709,327
*Check-off collected	3,593,615	3,926,839	4,752,000	4,752,000
Interest/sales	86,141	48,640	57,024	57,024
Total receipts	4,889,353	4,699,243	5,127,737	5,518,351
**Less refunds	97,405	172,519	0	0
Expenditures	4,068,284	4,208,011	4,418,410	4,639,331
Ending balance	723,664	318,713	709,327	879,020

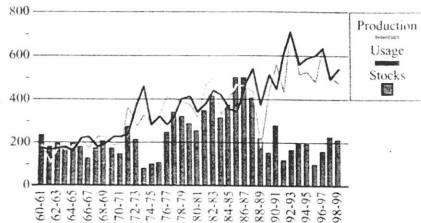
*Based on a 10% plantings cut to 8.8 million acres, 30 bushel yields, 264 million bushels produced, less 10% for seed use and refunds.

**Refunds of 3 to 4% were deducted from the collection projection in 99-01 and 01-03.

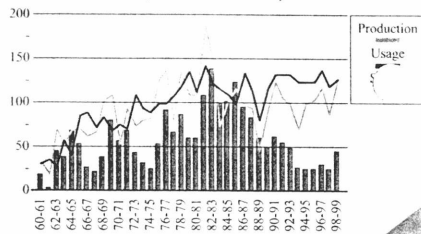
A history of progress

Average annual use of both U.S. hard red spring and durum wheat has more than tripled since the North Dakota Wheat Commission's inception in 1959. Checkoff programs aren't responsible for the entire increase, but certainly should be given some measure of credit.

U.S. Hard Red Spring Wheat
(Million Bushels)



U.S. Durum Wheat
(Million Bushels)



for more information contact
North Dakota Wheat Commission

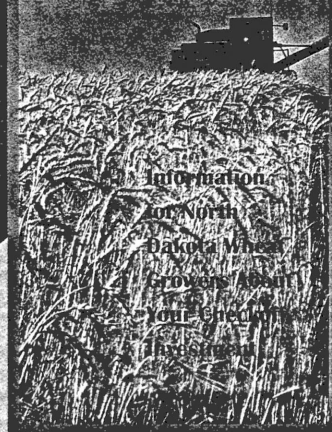
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What Are
You Doing About

THE PRICE OF WHEAT?



 **NORTH DAKOTA
WHEAT COMMISSION**
*Dedicated to increasing the economic
well-being of North Dakota wheat producers*

The price of wheat is an ever-present concern in North Dakota, where these amber waves of grain truly are the staff of life. At 11 million acres annually, nearly a quarter of the North Dakota's total land area is planted to wheat. Every person and every community in the state feels its impact because production is so geographically widespread. All of the state's 53 counties grow at least 1 million bushels in most years.

Wheat is the bedrock of North Dakota's economy. Economists estimate that this giant industry generates \$1 billion in annual revenue for farmers and creates a ripple effect valued at another \$3.5 billion for others.

North Dakota consistently ranks first or second in total U.S. wheat production, and leads the nation in two wheat classes. North Dakota farmers grow nearly three-fourths of U.S. durum and half of the U.S. hard red spring wheat crops.



Demand is our field

Like anything in a free enterprise system, the price of wheat is based on supply and demand. And similar to the outcome of your crop, many variables affect supply and demand. When you stir everything in — sun and rain, government programs in this country and our competitors' — it's nice to have at least one factor in your favor that you can control. Enter the checkoff program.

The North Dakota Wheat Commission works to increase demand for your wheat by developing, promoting and servicing domestic and international markets. The Commission also strives to solve production problems and create a more friendly world environment for marketing your wheat.

Checkoff like a crop input

The Commission cannot take credit for \$6 wheat, nor for \$3 wheat. Similar to certified seed or crop protectants, the checkoff is an investment a producer makes with hopes for a better return.

No test plots exist

We can't examine profitability in wheat production with and without checkoff programs in place. What we can tell you about are some of the Commission's achievements with $\frac{8}{10}$ of a penny per bushel. The checkoff isn't a cure-all, but it has proven effective in building demand, advancing on production problems, and making progress in the trade arena.

At the urging of wheat producers, the state legislature established the North Dakota Wheat Commission in 1959, and with it a framework for producers to invest in the promotion of their product. Wheat producers finance the effort entirely themselves with a $\frac{8}{10}$ of a penny checkoff per bushel.

Producers in driver's seat

Wheat growers elect county representatives, who in turn elect six district commissioners. The governor also appoints a commissioner-at-large. These seven farmers make up the board of commissioners. They develop policy and programs, oversee their implementation and approve budget expenditures.

Investing in opportunity

The Commission's budget is based on crop production and totals about \$2.1 million annually. Here's the breakdown:

- 39% — Export Marketing
- 12% — Domestic Promotion
- 23% — Research/Customer Service
- 9% — Trade Policy/Issues
- 8% — Public Information
- 8% — Administration

Making every dollar count

North Dakota's checkoff assessment is the second lowest of the 17 states that have checkoff programs. We partner with these states regionally and nationally to expand markets for U.S. wheat. In most cases, producer investments are matched with contributions from government or industry.

Expanding export markets

The Commission works to ensure that hard red spring and durum wheat are competitive on the world market in terms of price, quality and service. The Commission supports market development activities through the Northern Crops Institute and U.S. Wheat Associates.



- ✓ Vietnam purchased its first U.S. spring wheat shipment in 1997, after attending several checkoff-sponsored courses and seminars.
- ✓ Trade servicing with pasta manufacturers in Colombia paid off in 1998 with a first-ever sale of U.S. durum.
- ✓ Europe's imports of U.S. durum climbed 40% in marketing year 1997-98 and purchases of U.S. hard red spring wheat were up 17%.

Strengthening the homefront



With 43 percent of U.S. hard red spring and two-thirds of our durum wheat consumed here in the United States, the Commission strives to make Americans aware of the benefits of wheat foods. We focus efforts where the people are, through the generic public relations

work of the Wheat Foods Council and National Pasta Association.

- ✓ Positive media coverage for bread and grains has climbed 94% in newspapers and 49% in magazines.
- ✓ The number of Americans who mistakenly think that bread is fattening has dropped 12%.
- ✓ Per capita flour consumption has jumped from an all-time low of 110 pounds in 1972 to a record 150 pounds in 1997.

Developing quality wheats

The Commission helps ensure that North Dakota wheat meets both producer and customer demands by supplementing state federal funding for wheat research at North Dakota State University. Projects receiving Commission support are designed to improve the end-use performance of North Dakota grown wheats, to make them more price competitive, or to solve problems that limit current marketing efforts.



- ✓ New hard red spring, durum and even hard white spring wheat varieties are being released. Progress is being made on developing scab resistance while maintaining quality.
- ✓ Improved fungicide application methods are resulting in better scab control, higher yields and better quality.
- ✓ Research on the orange wheat blossom midge has helped warn growers in high risk areas and has minimized crop losses from the yield-robbing insect.

Competing globally

U.S. and foreign government policies play a crucial role in our ability to expand exports of North Dakota wheat. The Commission supports U.S. and international trade policies that encourage the marketing of U.S. wheat all over the world. Toward this goal, the Commission works cooperatively with the Wheat Export Trade Education Committee, U.S. Wheat Associates, and National Association of Wheat



Growers. The Commission urges policy makers to adopt aggressive export trade policies and to solve inequities in trade agreements.

- ✓ A 1993 trade investigation was successful in attaining limits on wheat imports from Canada, even if only for a one-year period.
- ✓ The President of the United States, U.S. trade officials and other exporting countries are more aware of Canadian trading practices and are seeking solutions.
- ✓ The integrity of North Dakota wheat has been maintained and trade losses averted in the face of the Karnal bunt discovery in the Desert Southwest.

Keeping you on the alert

The Commission informs North Dakota wheat producers about checkoff programs, challenges and opportunities in the wheat industry, and other market factors. Producers receive the *Dakota Gold* monthly newsletter and an annual report. The Commission also makes news available through its web site, *Wheat Report* radio announcements, news releases, special meetings and tradeshow exhibits. And of course, commissioners and staff welcome invitations to speak.



- ✓ In a 1996 survey of active wheat growers, 88% were at least somewhat informed about the wheat checkoff program.
- ✓ As for the work being conducted with the checkoff, 93% of active wheat growers were at least moderately satisfied.

Each has its role

The North Dakota Grain Growers Association, National Association of Wheat Growers, and U.S. Durum Growers Association are separate, membership-based, dues-paying associations that primarily serve as a voice on legislative and regulatory issues.

Ken Swenson

There is a concern here with the legislature that is legislating policy for an elected Commission.

The language at the end of this bill, really undermines the Commission's authority.

Farmer elected Commissions/Councils take their responsibility very seriously in representing the farmer who pays the check off. Those Commissioners are in the best position to determine how those dollars should be allocated.

Goodmoring, my name is Ron Selzler a durum producer from Rugby area .

I am here in support of the 2 mill increase which may be used to pursue unfair trade competition directive, We must take immediate action , to retriive our lost domestic markets of durum and spring wheat . The fairest way is to increase the wheat check off by 2 mills , to protect the .8 tenth of a cent which is currently implemented.

The concept of freedom to farm will not succeed in ND until we take the responsibility to to take action as such. The tools are there for us to use under the NAFTA accord. Let's utilize them. The Recalf movement is a clear example.

We cannot continue to become losers the fight for our domestic and global markets.

feel
If action is not taken ^{in support of this Bill} we could lose a generation of farmers in the next five years at the current prices. Thank you.

Testimony of Mark Sitz North Dakota Farmers Union
To the Senate Ag Committee HB 1399
March 4, 1999

Mr. Chairman and members of the committee.

My name is Mark Sitz. I'm a farmer and lobbyist for the North Dakota Farmers Union. HB1399 would raise the wheat tax from eight to ten mills. As passed by the House, the bill also suggests that the Wheat Commission may use two of the ten mill levy for its involvement in trade issues. We support the use of producer dollars for this purpose. However, after much discussion since January, we have some thoughts and concerns we would like to share with you.

1. We feel the funds raised should be more specifically targeted at bringing a trade action suit against Canadian wheat imports. In 1993, National Farmers Union initiated a countervailing duty case against Canadian durum imports. The case was dropped when "section 22" was implemented in 1994. It was difficult to prove durum imports were actually hurting individual farm income as compared to scab disease, drought, and flooding. However, the current low price environment now may be more conducive in proving harm.

2. We feel the moneys raised by the check-off should be placed in a "trade action fund" aside from the other moneys the check-off generates. Something similar to the R-CALF fund. This would be more acceptable by farmers knowing the increase would be set aside specifically for this purpose.

3. Fund or no fund, farmers need action now. Waiting two years for these two mills to build is a concern.

4. At the January 28th hearing, it was suggested the language in the new subsection 4 be amended out of the bill entirely. We think that's wrong and would object to that. The money raised would be for a specific purpose, so if anything the perimeters need to be more clearly defined so everyone understands what it is they expect to happen. Farmers do need the continued promotional efforts of the Wheat Commission, but they also need relief. At the very least, the language in subsection 4 should stay, without it we would respectfully withdraw our support for the bill.

North Dakota Farmers Union has been fighting for fair trade for a longtime. We recognized the deficiencies in the trade agreements from the beginning. In 1988 we opposed the Canadian Free Trade Agreement. We also opposed NAFTA and GATT. In closing, we feel this bill has the potential to be a very strong signal to both governments, of the high resolve and determination U.S. farmers have in bringing balance and fairness back to trade issues.

Thank-you.

Mr Chairman and members of the committee

My name is Kelly Shockman. I live on a farm near Lanoure ND.

I am here to day representing the N Dak National Farmers Organization other wise known as the NFO. I am also a Director representing N Dak NFO on the National Board of Directors of the National Farmers Organ. Ames Iowa.

The NFO is strickly a marketing service organ. that represents its farmer members in the Market Place and is composed of farmers only. We do not offer other necessary services to farmers such as Insurance, fuel, fertilizer, or other farm supplies. Collective or Group marketing to assist farmers to improve their farm commodity prices and to negotiate with farm commodity buyers for price, grade, transportation and other conditions of sale is the primary function of NFO.

Since the Agricultural Marketing Agreement Act of 1936 institutionalized Ag Commodity Check-off tax programs more than 170 have been started, most by Gov mandate and without a vote of approval by the people who are paying the tax. Over 1 Billion Dollars of Federal and State Commodity check-off taxes are paid by farmers each year.

Rarely can farm producers ever recover the full cost to produce their commodities from the market place so these check-off taxes are another production expense they have to eat (absorb).

Two of the most controversial questions among farm producers is- are these check-off taxes I am paying benefiting me or are they just helping the rest of the food industry, and what have these tax dollars done to help solve my no one problem- low farm commodity prices.

, There is no question that promotion of a product is essential and very common in the business world today, if for no other reason than to let consumers know the cost, availability, and merits of your product.

But food is differant. People buy food for only one reason- they have to have it every day of their lives. The purchase and consumption of food is very static and is determined by what our stomachs will hold and what we throw away.

While the promotion of one type of food can increas the consumption of that food, that increased consumption of one food is usually done at the decreased consumption of another food. Very often farmers are forced

to pay check-off tax dollars on several commodities they produce and in a very real sense are competing against themselves for room in the consumers stomach.

Promotion in the business world is part of the cost of doing business and is a recoverable. Every time we consumers buy a car, a coat, a can of pop- everything we buy- the promotion costs are part of the price and we pay the promotion costs as consumers.

Due to the Invert, or upside down, pricing of commodities in Production Agriculture. farm prices are set by someone else at the top of the food chain and transportation, processing, distribution, retailing costs can be passed backward to the producer on a "Take it or leave it" or "what will you give me today" basis.

I visit with farmers almost very day. I am one myself- for a whole lifetime- and I think I know how they feel about this very controversial commodity check-Off tax. They understand the value of promotion of the products they buy themselves. But they cannot reconcile paying out their hard earned dollars to promote consumption of a product they produce and then selling (or dissposing of) at far below their cost of production- or already loosing money on- and watch their commodity prices drop another 25 % as happend in raw milk prices recently. (an approximate \$4.00 CWT drop)

Included in my testimony is a photo-copy of the returns for the sale of 5 calves at a Co-op Livestock Exchange. You should note that after the deductions for trucking, yardage, selling commission, and Bovine Deduction the net pay to the farmer was \$0.00 . The Bovine Deduction is the commodity check-off tax of \$5.00.. Maybe this says it the best.

I understand my testimony here today will probably do very little to stop these outrageous, unfair, politicaly entrenched farm commodity check-Off Tax Programs, but maybe we can help clear the air and make the commodity check-off tax groups more accountable to the farmers who are paying their wages and paying the bills.

PS. - NATIONAL FARMERS IS ALSO A NON PARTISON ORG.

Thank you for the opportunity to testify before the committee and I will try to answer any questions you might have. Kelly Shockman IaMoure ND

Kelly Shockman

Farmers Need to Support Senate Checkoff Reform Effort

By ALAN GUEBERT

Even as Congress continues to pare back, dismantle or return to the states many federal programs, several ag groups oppose suggested changes in national commodity checkoffs that offer more accountability and representation to the farmers who fund them.



On Dec. 5, Sen. Russell Feingold, D-Wis., proposed legislation that, as he describes, "makes some modest and common sense reforms to all existing ag promotion programs." The chief reforms sought by Feingold:

- Requires the Secretary of Agriculture to hold producer referenda every five years or so to determine if producers wish to continue or terminate any national checkoff;
- Requires a similar vote to determine if producers want checkoff refunds;
- Eliminates "bloc voting" by cooperatives in national referenda;
- Prohibits spending checkoff money on feel-good "industry image" advertising;
- Strengthens language to keep checkoff-funded groups from lobbying Congress and,
- Clarifies the very messy - and very rich - sweetheart relationships between checkoff governing boards and commodity groups hired as checkoff contractors.

While the Feingold initiative never mentions specific checkoff programs which abuse current rules, no special insight is needed to see it is aimed at

the beef, soybean and dairy checkoffs. These three, federally-instituted, non-refundable producer checkoffs will wallop beef, bean and milk producers for close to \$400 million in 1996.

In background interviews, Senate staffers explain that Feingold is "simply fed up with checkoff officials bending the rules and the wasteful and ineffective spending by commodity groups who receives the lion's share of their funding from producer checkoffs."

Feingold is right on both counts. Even though federal rules prohibit spending checkoff dollars on government lobbying, notes one Senate staffer, "I can't begin to count the number of times checkoff officials have come to my office - and wink, wink - 'not lobby, but inform' me on any number of checkoff issues."

Image advertising is another rabid checkoff abuse, reckons Feingold. Is there any good reason the Beef Board should use checkoff dollars to advertise beef in Montana or Wyoming, arguably two states with the most carnivores per capita in the Union?

And why should dairy cooperatives, many who receive checkoff dollars to promote milk, be allowed to bloc vote for their dairy farmer members to defeat a producer initiative to recall the checkoff-collecting National Dairy Board? The short answer is they should not; it is a blatant conflict of interest.

As might be expected, several checkoff collecting boards and commodity organizations who rely on checkoff dollars believe Feingold's legislation is unnecessary and expen-

sive.

Some complain his every-five-year referenda idea is itself wasteful of producer dollars. They argue that since referendums cost the checkoffs \$200,000 or more, producers would be better served by using the cash for other promotions or new product development.

That defense, as penny-pinching or as logical as it sounds, is bunk.

For example, in the coming five years the National Dairy Board will collect over \$1 billion of checkoff funds from dairy producers. A referendum might cost - and let's be generous - \$500,000. In round numbers then, a referendum in the year 2001 might cost dairy producers 0.0005 percent of total collections.

(Similar math - a \$500,000 referendum divided by the estimated five-year collections - shows a referendum would cost soybean producers 0.002 percent of collections and beef producers 0.00125 percent of collections five years from now.)

Alas, Feingold knows his checkoff reform bill is dead in 1996. Presently, it has no co-sponsors in either the Senate or the House. Senate watchers say checkoff organizations and commodity groups who thrive on checkoff dollars will hammer it and anyone who offers support so the reform package will never see a Congressional vote.

That might change, of course, if enough informed farmers actively support the Feingold reforms and force Congress to tackle checkoff accountability as an election year issue.

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\$ 500,000.00
COST OF REFERENDUM IN PERCENTS OF CHECK OFF TAX
DAIRY
5-TEN THOUSANDS
SOYBEANS
2-ONE THOUSANDS
BEEF
175 ONE HUNDRETH THOUSANDS

Cattlemen look for ways to cut corn prices

WASHINGTON (AP) — Cattle producers looking for a way out of their industry's doldrums say it would help to put 16 million acres of idled land back into production to drive down feed prices.

The acreage is included in about 36 million acres of land enrolled in the Conservation Reserve Program, which is up for renewal in Congress this year.

Cattle producers think the program has propped up corn prices by idling land in the Midwest and Great Plains that could be farmed without harm to the environment.

"It's quite unfair in times of low prices," said Bob Drake, an Oklahoma producer who is president of the National Cattlemen's

Association.

"We're in a difficult position now in the feeding business. We're looking at drastically low prices," Drake said at a news conference Thursday.

The acreage cattle producers want removed from CRP is rated as "level one" and "level two" - the least erodible land in the program, Drake said.

Cattle producers say high corn prices and an oversupply of cattle are the chief reasons for a sharp drop in cattle prices during the past year. Besides proposing a cut in CRP acreage, producers are pushing for government assistance in increasing beef exports to Asia and other markets.

Supporters of CRP, including

farmers and wildlife activists, acknowledge that some CRP land isn't particularly sensitive and should be removed from the program. They say the program should be targeted more to acreage along bodies of water rather than land that is subject to wind erosion.

"I think there's a well recognized role for CRP. We need that as a tool for growers to be able to take some of the land with environmental concerns out of production," said Bill Northey, president of the National Corn Growers Association.

He questioned how much impact the program has on corn prices, noting that prices have risen more than \$1 a bushel over the past year with no significant change in CRP

acreage.

"Long term I don't think that's a major culprit in any kind of a situation that puts our users in a tough situation," said Northey, an Iowa farmer.

Congressional budget cutters may help cattle producers get what they want.

The Republican budget plan vetoed by President Clinton would allow a maximum of 36.4 million acres in the program over the next seven years, but budget estimates indicate that won't be enough money for anywhere near that.

The Congressional Budget Office last month estimated CRP acreage would shrink to 18 million acres by 2002.

JMST SBN
1-19-96

THIS IS AN EXAMPLE OF OUR COMMODITY CHECK OFF (TAX) DOLLARS AT WORK. MOST AMERICAN FARMERS PAY COMMODITY TAXES TO MORE THAN ONE GROUP - VERY OFTEN ONE IS USED AGAINST THE OTHER. YOUR COMMODITY CHECK-OFF DOLLARS ARE USED AGAINST YOURSELF. KELLY S.

NFO, INC.

Resolution proposed at July, 1998 Board Meeting:

BE IT RESOLVED that the Board of Directors of NFO, Inc. encourages all producers to make themselves aware of the activities of all checkoff promotion organizations, and to study the effectiveness of their promotion programs.

FURTHERMORE, there the Board strongly recommend that the enabling legislation on all checkoff programs be changed to mandate a producer referendum to be held every five years on the continuation of the program.

Kelly Shrockman
Member Representing 71 Oaks on NATIONAL
FARMERS BOARD OF DIRECTORS - HOME OFFICE
AMES - IOWA

Activist groups denounce use of pork checkoff for probe

Washington (AP)

Ron Perry is a hog farmer in Missouri. He also is active in the Missouri Rural Crisis Center, a grassroots group opposed to large corporate hog farms. And with other farm activists, Perry also is angry.

The National Pork Producers Council spent \$48,000 in money collected from hog farmers, including the activists, to hire a Washington, D.C., firm to monitor their organizations. It described many of them as "radical."

"They see us as a threat because we've exposed their corporate agenda," said Perry, who runs a farm in Livingston County, Mo. "We're having a big impact."

Spokesman Charlie Harness of the producers council confirmed that mandatory farmer checkoff funds collected for market promotion of pork were used to hire Mongoven Biscoe & Duchin Inc. to monitor the activists.

"We do regularly, and have for a year now, had the Mongoven people monitor for us on a national basis issues that might have an impact on how pork producers do business," Harness said from NPPC headquarters in Des Moines, Iowa.

"It allows us to get a regular overview of what is being said about pork producers in various parts of the country," he added.

With 100,000 pork producers in 43 states, the National Pork Producers Council is the nation's largest pork trade organization. Also powerful on Capitol Hill, it contributed more than \$136,000 to federal election campaigns during the last two years, government records show.

The flap over use of the pork checkoff money comes as several

groups advocating sustainable agriculture, family farms and animal rights are waging a vigorous battle against rapid industrialization of hog farms.

Several groups mentioned in a widely circulated overview by the Mongoven firm are outraged. There've been charges of spying and demands from groups like Farm Aid for a federal investigation.

The report commissioned by NPPC and distributed to its state executives around the country includes detailed descriptions of the history, methods and philosophy of many pro-family-farm organizations, including the venerable National Farmers Union and the Nebraska-based Center for Rural Affairs.

Of the Missouri Rural Crisis Center, contesting large hog operations in that state run by Premium Standard Farms, the report had this to say:

"Given the radical nature of MRCC, there is no potential for any kind of beneficial relationship between NPPC and MRCC. MRCC views NPPC as one of the architects of the expansion of corporate hog farming in the Midwest."

Council spokesman Harness said the NPPC does not necessarily endorse the views of the Mongoven report. He said also the document criticizing the crisis center was not financed from farmer checkoff funds but out of money collected during the annual world pork exposition.

Ron Duchin, a partner at the Mongoven firm, said its work is primarily research, looking through databases and public records to do

factual profiles of organizations for corporations and trade associations. The firm also has worked for the National Cattlemen's Beef Association.

"We don't consider the groups we do research on as enemies," Duchin said. "We don't spy on anybody. We don't infiltrate them. We don't read their mail. We don't tap telephones."

Nevertheless, activist groups view NPPC's hiring of the firm to monitor them as an example of a slant toward large-scale pork production at the expense of family farms.

"The NPPC is run by the big producers and corporate family farms for their own benefit, and they use our money to do it," said Rodney Skalbeck, a Minnesota hog farmer and member of the Land Stewardship Project.

Harness insisted the NPPC never has taken a position on corporate hog farming vs. the future of the family farm. He said the organization conducts regular workshops to reach small-scale farmers about new technology and better ways to compete.

"I think most pork producers of all sizes are supportive of what we're doing," Harness said. "These other things are just attempted diversions by groups that for one reason or another are opposed. They're really seeking publicity."

50%

if Congress doesn't restore t... funding.
 Major areas of research at the center include tillage and cropping systems, grazing management, alternative crop rotations, dryland and irrigated water man... and breeding improved forages possibly coming back into prod... ed there becomes very imp... ucers bring the land back i... It's a matter of money and pri... Blackburn, area director for rese... agency is in a "flat budgeting pro... projects need to be closed out, he... rection of priorities in the agency... caught in this prioritization proce... directed to human nutrition and fe... which have been given a higher pr...

substantial impact on the Northern Great Plains."
 We agree. Thankfully, so does North Dakota's congress... a joint statement, Sens. Kent... organ and Rep. Earl Pomeroy... es this represent a done deal. This... oposal that should never have seen

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Publisher: ...pping block. It should not be. If you agree, contact your congressional delegation.

Ed Schafer has indicated he will stating the funds unless he feels arising in the budget cutting mea... ld be taking a stronger stand for the facility which is so important is so important to the region.
 Plains Research Center is on the... contact your congressional delegation.

FOOD & FARM FILE

Pork battle inspires NPPC to 'monitor' other ag groups

By ALAN GUEBERT

The National Pork Producers Council paid a Washington, DC, firm nearly \$50,000 in producer checkoff dollars and non-checkoff dollars last year to "monitor" groups which advocate sustainable agriculture, family farm pork production and animal rights.

Two of the groups NPPC had monitored are the National Farmers Union and the Center for Rural Affairs, both long proponents of family farms and vocal critics of the swift industrialization of pork production.

Other ag interest groups watched by NPPC include the Corporate Agribusiness Research Project, the Iowa Citizens for Community Improvement, the Land Stewardship Project and the Missouri Rural Crisis Center.

NPPC spokesman Charles Harness explains the NPPC hired the consulting firm of Mongoven, Biscoe and Duchin in 1996 to monitor several groups as part of an ongoing, \$100,000, checkoff-sponsored NPPC program called "Strategic Communication Initiatives." That program – and the monitoring – continue today, says Harness, who guesses "pretty close to \$48,000" was paid to the consultants last year.

"Like it nor not," Harness offers, "we're a big business and it's hard for us to keep track of what's going on. We think it's prudent to know what other organizations involved in the pork industry, like PETA (People for Ethical Treatment of Animals), are saying and doing.

"This is not an enemies list," Harness adds.

Maybe not in NPPC's eyes, counters Chuck Swenson, president of the National Farmers Union, but "It appears to me any organization that has questioned the industrialization of the hog industry is now being watched by the NPPC."

Even more distressing, says Swenson, is

paying for part of this effort with checkoff money. "By law, checkoff funds are to be spent on research, promotion and market development. I think what NPPC is doing here is 100 percent political."



NPPC's Harness confesses that "the National Farmers Union is not the kind of organization that concerns us" and was "startled" to discover the consulting firm monitored the 300,000-member NFU.

"We tell them who to monitor. For instance, we might have asked them to look into the Center for Rural Affairs. But they added NFU on their own."

Harness also notes that NPPC records indicate no checkoff money was spent on a recent report which examined rural activist and farm groups like the NFU. That report, completed in December, cost about \$3,449 and NPPC claims it paid that tab out of its own pocket.

That 26-page report, forwarded to state pork association executives Jan. 2, carries a cover memo from NPPC staffers Harness and Pat McConegle. The memo notes the report – on "various activist groups whose philosophies and activities might have an effect on the pork industry" – gives background, "attitude," anticipated initiatives and "thoughts of the consultant on the likelihood of any productive relationship between NPPC and the organizations."

One section of the December report dissects the Center for Rural Affairs. Chuck Hassebrook, CRA's program director, is curious why NPPC would even hire someone to look into CRA.

"We're a very open, grassroots group. Does the NPPC feel threatened by groups who advocate sustainable, family

agriculture? If so, that's too bad because there are a lot of farmers out here who had hopes the NPPC would assist family farmers in the pork industry."

"NPPC's tracking of groups like the CRA shows its true interest," opines Hassebrook: "Production is more important than producers."

Hugh Espey, Rural Projects director for Iowa Citizens for a Community Improvement, another farm group which NPPC targeted for monitoring, suggests past ICCI activities – such as picketing NPPC's offices and confronting NPPC officials in public meetings – is the motivation behind NPPC snooping.

"It just goes to show you," Espey offers, "how out of touch NPPC is with the majority of pork producers. They use producer money to spy on rural groups rather than sit down with them and talk about issues."

Ron Duchin of Mongoven, Biscoe and Duchin, the consultants hired by NPPC, claims his firm "did not spy or infiltrate" farm organizations like Espey suggests. "All the information was obtained legally and through public sources," he says.

When asked what other ag groups the firm worked for, Duchin noted the National Cattlemen's Beef Association "has been under contract with us for years."

A spokesman for the NCBA confirms the 40,000-member cattle producer group has employed Duchin's firm; still does, in fact. The spokesman did not know which specific groups NCBA had monitored "other than PETA and the Farm Animal Reform Movement," how long the monitoring had been going on; or how much money NCBA had paid Mongoven, Biscoe and Duchin over the years.

He did say, however, the consultants were paid with checkoff dollars. ♦

House approves first of series of checkoff increases

BISMARCK, ND (AP) A higher North Dakota barley tax became the first of a series of planned "checkoff" increases to win approval in the state House on Wednesday.

Separately, representatives endorsed legislation to make it easier for farmers to sue over false statements about their products, despite some worries that the measure was a restraint on free speech.

"It goes against every tradition that we have in terms of speaking and having opinions, and sharing those opinions publicly," said Rep. Eliot Glassheim, D-Grand Forks.

The Legislature will consider increasing producer taxes on barley, wheat, dry beans and oilseeds, such as sunflowers and canola in the near future, if it hasn't done so already. Dry pea and lentil producers also are asking lawmakers for permission to form their own commodity group.

The checkoffs, as producer taxes are called, are paid by farmers when they sell their crops. A small percentage of checkoff money is refunded. Proceeds are generally used for market promotion and research on the targeted crop.

Earlier this month, the House voted 71-24 to endorse raising the barley checkoff from a half-cent to a full penny per bushel. The increase will raise an estimated \$1 million every two years.

Rep. Jim Kerzman, D-Mott, said a barley checkoff increase should be approved by growers themselves.

"We are imposing a tax on these producers without their input, really,"

Kerzman said.

But Rep. Earl Rennerfeldt, R-Williston, said the higher checkoff was needed to support barley promotion efforts.

"I believe in self-help," Rennerfeldt said. "The way it is right now, they need more money, or they just plain won't be effective at all."

The "farm libel" bill, sponsored by Rep. Gene Nicholas, R-Cando, was inspired by criticism of North Dakota's pregnant mare urine industry. Some North Dakota horse ranchers keep mares for their urine, which is used to manufac-

ture a female hormone replacement drug called Premarin.

An activist group called People for the Ethical Treatment of Animals has been campaigning against the North Dakota industry, claiming the mares are mistreated. Ranchers vehemently deny that.

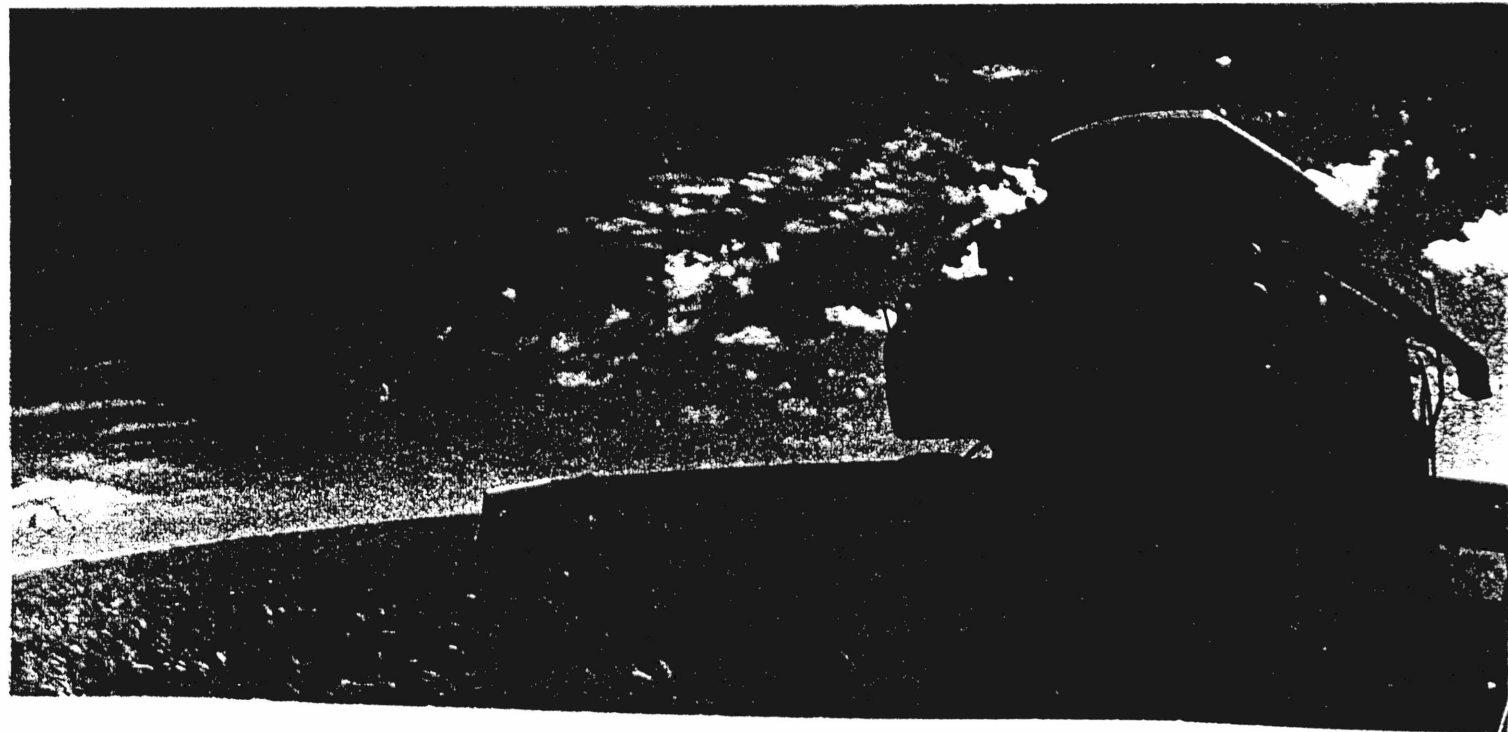
Supporters of Nicholas' bill said it is difficult for farmers, ranchers and agricultural processors to sue if false statements are made about their products, because libel laws are intended to protect people.

A false news report or advertisement

"can do terrible damage to our farm economy, and the economy of the whole state," said Rep. Tom Brusegaard, R-Gilby.

But Rep. Mick Grosz, R-Turtle Lake, said the bill amounted to "trampling on free speech," and Glassheim had similar sentiments.

"People disparaging other people's products probably believe what they say to be true," Glassheim said. "The proper answer to false statements is true statements ... It's why we have the free enterprise of the mind." ♦



RESEARCH AND PROMOTION PROGRAMS AUTHORIZED BY INDIVIDUAL STATUTES

January 1995

Commodity	Status	Administrative Body			Assessments							Referendum and Approval Requirements	USDA Costs Reimbursed	Credit for State Program	Enforcement
		Name	Authorized Composition	How Appointed	Authorized Rate	Coverage	Refund Allowed	Imports Assessed	Collected (Refunds) 1/ (Figures in Millions)						
									On Domestic Production	On Imports	Total				
Beef	Implemented in 1986	Cattlemen's Beef Promotion and Research Board	Producers and importers based on cattle numbers per State or unit (Currently 101 producers and 6 importers)	By Secretary from nominations by eligible organizations	\$1 Per head	All cattle producers and importers	No	Yes	\$74.1	\$6.9	\$81.0	Delayed until 22 months after program start. Referendum May 1988. Approved by 79 percent. Majority vote. 2/	Referenda and administrative	Up to 50 cents per head	Civil penalty up to \$5,000 assessed by Secretary. Enforced by Attorney General
Cotton	Implemented in 1966-67	Cotton Board	At least one rep from each cotton producing State and importers; and up to 1% to be consumer advisors (Currently 20 producers, 4 importers and 1 consumer advisor)	By Secretary from eligible organizations	\$1 Per bale plus up to 1% of bale value	Producers and importers	No	Yes	\$48.4	\$14.0	\$62.4	Initiated by referendum prior to program start. Two-thirds vote or majority representing two-thirds volume. 2/	Up to \$300,000 for referenda; up to 5 staff years for administrative	No	Monetary penalty of \$1,000 enforced by Attorney General
Dairy	Implemented in 1984	National Dairy Promotion and Research Board	36 Milk producers	By Secretary from nominations by eligible organizations and other interested parties	15 Cents per hundredweight	Dairy farmers	No	No	\$226.32	-	\$226.32	Delayed until 18 months after program start. Referendum Aug 1985. Approved by nearly 90 percent. Majority vote. 2/	Referenda and administrative	Up to 10 cents hundred-weight	Civil penalty up to \$1,000 assessed by Secretary. Enforced by Attorney General

COMMODITY	PROGRAM	CHECKOFF RATE	AMOUNT COLLECTED PER YEAR (APPROX.)	REFUND PROCEDURES	CHECKPHONE	CHECKOFF BOARD MAKEUP	TERMS	ELECTION
Edible Beans*	Edible Bean Industry Promotion Act of ND	5¢/cwt	\$300,000	Refund available if requested within 60 days of sale	Edible Beans 218-3151	5 Members elected by District Ag Commissioner ex officio	3 years 2-term limit	Ag Commissioner sets up within 75 days prior to April 1
Dairy*	Dairy Promotion Commission Checkoff	15¢/cwt + total 10¢/state; 5¢/national	\$970,000	No producer refund allowed by federal law	ND Dairy Promotion Comm. 701-224-3134	3 Members appointed by Governor (2 producers and 1 processor) 2 ex officio Ag Comm. & NDSU Head of Animal Science 4 elected Members - President of ND American Dairy Assoc. - President of ND Dairy Council of ND - 2 members of ND Milk Producers Assoc. elected by them	2 years for appointed 2 years for elected	
Oilseed*	Oilseed Industry Promotion	2¢/cwt	\$1 million ↓ 450,000	Refund available if requested within 60 days of sale	Oilseed Council 701-224-3019	7 Sunflower Growers by District 1 Safflower Grower appointed by Gov. 1 Rape Seed/Canola Grower appointed by Gov. 1 Flax Grower appointed by Gov. 1 Member appointed by Dir. of Ag. Exp. Station Ag Commissioner ex officio	3 years 3 term limit	Set up by Ag Commissioner Same as wheat
Honey*	ND Honey Promotion Act	5¢/colony	\$10,000	Refund available if requested within 30 days of sale	ND Honey Promotion 701-224-2231	Housed in Ag Commissioners office and administered from there. No board required by statute		
Potatoes*	Potato Industry Promotion Act of ND	3 1/2¢/cwt	\$538,000	May claim exemption from check-off in writing before July 15 ea. yr.	Potato Council 701-73-3633	Commissioner of Ag, also Chairman by Law 5 Growers elected by District	3 years 2-term limit	Ag Commissioner sets up in June
Corn*	Corn Utilization Checkoff	1/4 of 1% of the value of a bushel	\$200,000	Refund available if requested within 90 days of sale	ND Corn Utilization Council 701-277-0573	7 Growers elected by District	4 years 2-term limit	Council administers its own Election no later than April 1
Turkey*	ND Turkey Promotion Act	1¢ for birds < 10 lbs. 2¢ for birds > 10 lbs.	\$20,000	Refund available if requested within 60 days of sale	ND Turkey Federation 701-224-2231	Commissioner of Ag administers program An advisory committee appointed by Turkey Federation		
Wheat*	Wheat Commission Checkoff	5 mills/bushel	\$1.6 million	Refund available if requested within 60 days of sale	State Wheat Comm. 701-224-2498	6 Growers elected by District 1 Member at large appointed by Gov.	4 years 3-term limit	Co. agent conducts election in each Co. to elect county rep. - Director of state ext. service ca meeting of Co. Reps. - 1 of Co. Reps. elected as Dist. Rep.
Barley*	Barley Council Checkoff	5 mills/bushel	\$650,000 ↓ 600,000	Refund available if requested within 60 days of sale	ND Barley Council 701-281-0714	5 Growers elected by District Ag Commissioner ex officio	3 years 2-term limit	Ag Commissioner conducts election
Beef*	Beef Promotion & Research Act	\$1/head National	\$1-1.2 million 25% Available for State Use	No producer refund allowed by federal law	ND Beef Commission 701-224-2794	9 members appointed by Gov. 3 beef producers 1 dairy producer 1 public livestock market rep. 1 cattle feeder 2 reps at large	3 years 2-term limit	Nomination by specific organization
Soybeans*	Soybean Council	1/2% of value 1/2 to national (approx) 1/2 to state (approx.)	\$420,000 total collected \$190,000 available to state	Refund available if requested within 60 days of sale	ND Soybean Council 701-293-3770	8 Growers elected by District Ag Commissioner ex officio	3 years 2-term limit	Ag Commissioner conducts election

¹Appropriation of funds requires Legislative Approval (Legislative Hearing)

²Appropriation of funds automatically approved by law (no Legislative Hearing) Hearing will be held by Ag Committee only

NDWC County Representative Priorities

RESULTS OF 1998 SURVEY

Given a list of existing and potential areas of focus for NDWC activities and financial support, county representatives were asked to indicate how important they perceived each to be by rating them on a scale of 1-5 (where 1 is not at all important and 5 is very important). They were also asked to rank them in order of importance. The following summary of ratings is based on 30 individual responses. Rankings of overall categories are based on oral reports of district discussions held at a breakfast meeting on Dec. 8.

1st Export market development (same ranking as in 1997)

- 4.6 informing customers about comparative advantages of using HRS and durum
- 4.1 trouble-shooting on customer concerns
- 4.0 overcoming quality and performance claims by competitors
- 4.0 teaching customers how to use the U.S. grain marketing system

2nd Trade Policy and Issues (up from fourth in 1997)

- 4.4 imports of Canadian wheat
- 4.3 trading practices of state trading enterprises (Canadian Wheat Board)
- 4.1 competitors' export subsidies programs of competitors
- 4.1 import regulations based on phytosanitary issues (i.e. Karnal bunt, TCK smut)
- 4.0 import regulations/consumer perceptions of genetically modified organisms (i.e. RoundUp Ready wheats, etc.)
- 3.8 transportation rates and service
- 3.8 food safety regulations and consumer perceptions
- 3.7 competitors' domestic support programs
- 3.4 environmental regulations

Other ideas:

- negotiating better trade policy
- WTO

3rd Research (down from second in 1997)

- 4.4 developing new varieties
- 4.3 improving wheat quality
- 4.2 controlling diseases
- 4.0 identifying new uses for wheat
- 3.4 reducing input costs
- 3.3 maximizing yield and quality with crop rotations
- 3.3 maximizing yield and quality based on soil fertility
- 3.2 controlling insects
- 4.2 controlling weeds

Other ideas:

- pricing mechanisms, price discovery with producer influence (new grain exchange)
- fungicide control of diseases

4th Domestic Promotion (down from third in 1997)

- 4.2 gaining positive media coverage for grain foods
- 4.1 using a retail logo to help consumers identify grain foods
- 4.0 informing health and fitness leaders about grain foods
- 3.8 countering fad diets that bash carbohydrates

5th Information/Education

- 4.0 Informing producers about checkoff-funded programs
- 3.8 Educating youth about wheat
- 3.6 Providing producers with information on market trends
- 2.7 Educating producers about risk management

SW/District 1 (as reported by Sharold Geist, Mercer County)

1. Trade issues (Canadian imports)
2. Export market development
3. Domestic Promotion
4. Research

NW/District 2 (as reported by Tim Dwyer, McKenzie County)

1. Export market development
2. Trade policy issues — not strictly Canadian imports, but also facts about our foreign competitors and need for a presence in future negotiations
3. Research
4. Domestic promotion — gaining media attention; working with health and fitness leaders
5. Information and education

SC/District 3 (as reported by Don Paulson, McLean County)

1. Export market development — informing customers about comparative advantages of using HRS/durum
2. Research — new varieties and quality
3. Domestic promotion
4. Information and education — emphasized youth education, especially in bigger cities
5. Trade policies — Canadian imports

NC/District 4 (as reported by Bob Fritel, Pierce County)

1. Export market development — informing customers about comparative advantages of using HRS/durum
2. Trade policy and issues
3. Domestic promotion — gaining positive media coverage
4. Research — noted that needs may be cyclical such as with scab
5. Information and education — our future is in youth education

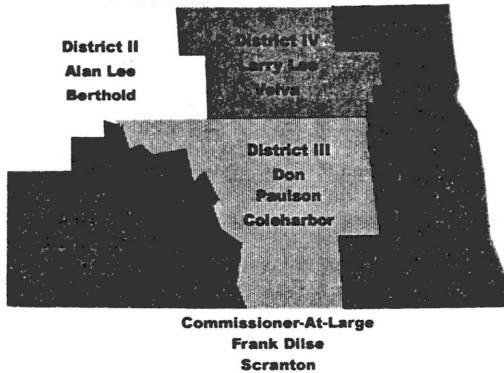
SE/District 5 (as reported by Dave Fixen, Richland County)

1. Trade issues — too often find out what's in agreements, etc., after the fact
2. Exports — information for customers about HRS/durum
3. Domestic promotion — countering fad diets
4. Research — need for guidance, not necessarily funding

NE/District 6 (as reported by Dwight Johnson, Walsh County)

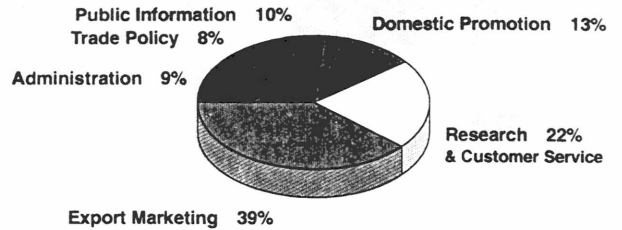
1. Imports of Canadian wheat
2. Trading practices of state trading enterprises (Canadian Wheat Board)
3. Export market development — info for customers on comparative advantages of HRS/durum wheats
4. Info for producers on checkoff programs
5. Controlling diseases/developing new varieties
6. Phytosanitary trade regulations

PRODUCER-CONTROLLED:
BOARD OF COMMISSIONERS



1998-99 BUDGET - \$2,120,979

Nearly \$168,000 already used to address trade policy and issues.

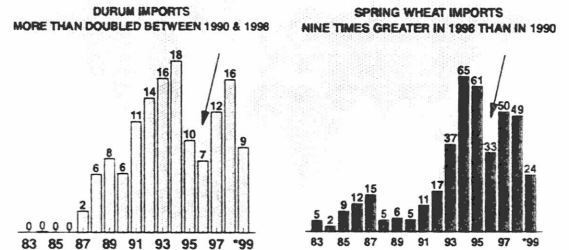


TRADE ISSUES

- Predatory Canadian trading practices are an immediate concern.
- Have displaced U.S. spring and durum wheats in domestic and offshore markets.



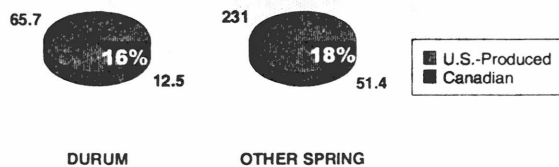
SECTION 22 INVESTIGATION HELPED, BUT ...
IMPORTS BACK ON RISE



Source: Canadian Grain Commission
 *98-99 includes months of June - December (first half of marketing year)

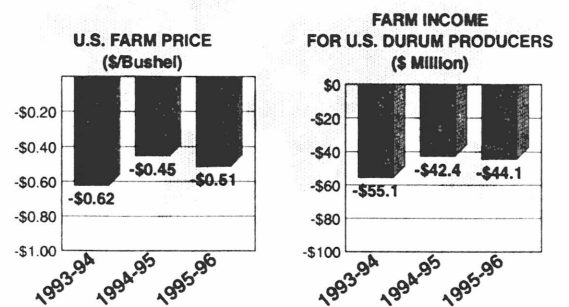
WHEAT USAGE IN THE U.S.

Every imported bushel displaces one bushel produced by an American farmer.
 (Million Bushels - Five Year Average)



Sources: USDA and Canadian Grain Commission

PRICE AND INCOME LOSSES DUE TO CANADIAN DURUM IMPORTS



Source: NDSU Agricultural Economics Department

WORLDWIDE REPORTS OF CANADIAN PRICE DISCOUNTS

- China
 - No. 3 spring wheat price equaled U.S. SRW (\$.54 discount)
- Philippines
 - standing offers at \$.14 to \$.19 per bushel under U.S. spring wheat prices
- Sri Lanka
 - CWRS sold for \$.55 a bushel below open market replacement cost



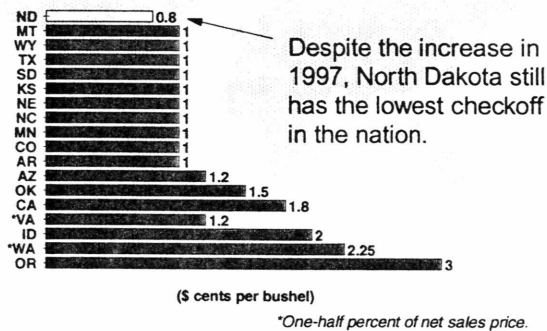
- Mexico
 - CWRS sold for HRW price
- Venezuela

U.S. WHEAT PRIORITIES FOR WTO TALKS

- Export subsidies
- State Trading Enterprises (STEs)
 - Canadian Wheat Board
 - Australian Wheat Board
- Domestic support levels (\$100/acre in Europe)
- Phytosanitary issues
 - Karnal bunt
 - TCK smut
- Genetically-modified organisms (GMOs)
 - herbicide-resistant wheats
- Dispute settlement process
- Time limits on compliance with agreement



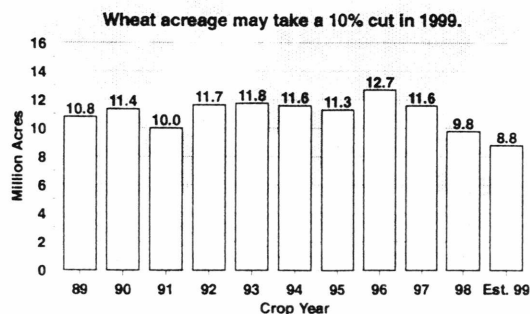
18 STATES HAVE WHEAT CHECKOFF PROGRAMS



CHECKOFF INVESTMENT

- 8/10 of a penny per bushel amounts to:
 - \$8 for every 1,000 bushels
- Average producer's contribution (@30 bushels/acre) is:
 - 24 cents per acre
- 500 acres of wheat
 - \$120 annually
- 1 penny per bushel amounts to:
 - \$10 for every 1,000 bushels
- Average producer's contribution (@30 bushels/acre) is:
 - 30 cents per acre
- 500 acres of wheat
 - \$150 annually

N.D. PLANTED CROP ACREAGE



N.D. WHEAT COMMISSION FINANCIAL OUTLOOK

	July 1 to June 30			
	Actual 95-97 (5 mills)	Estimated 97-99 (8 mills)	Projected 99-01 (10 mills)	Projected 01-03 (10 mills)
Beginning balance	1,209,597	723,664	318,713	709,327
*Check-off collected	3,593,615	3,926,939	4,752,000	4,752,000
Interest/sales	86,141	48,640	57,024	57,024
Total receipts	4,889,353	4,699,243	5,127,737	5,518,351
**Less refunds	97,405	172,519	0	0
Expenditures	4,068,284	4,208,011	4,418,410	4,639,331
Ending balance	723,664	318,713	709,327	879,020

*Based on a 10% plantings cut to 8.8 million acres, 30 bushel yields, 264 million bushels produced, less 10% for seed use and refunds

**Refunds of 3 to 4% were deducted from the collection projection in 99-01 and 01-03



Testimony of Tom DeKrey on behalf of the NDGGA

Mr. Chairman, members of the committee, for the record my name is Tom DeKrey. I farm outside of Steele North Dakota and currently am vice-president of the North Dakota Grain Growers Association.

I am testifying on behalf of the NDGGA in support of HB 1399. The NDGGA supports the 2 mill increase in the wheat check-off raising it to a full cent per bushel. The NDGGA supports HB 1399 but recommends the removal of language contained in section four which all but mandates the allocation of these funds. We feel the commission and its staff do not need micro managing of the policies and projects the commission takes on.

The commissions record speaks for itself and mandating would set a dangerous precedent for all check-off groups by not allowing flexibility to adapt to an ever changing agricultural climate. The commissioners are elected by wheat producers and are accountable and responsive to their needs.

I served on the wheat commission board from 1994 to 1998, representing District 3. When I served on the commission, our mission statement read:

“To increase the economic well being of North Dakota Wheat Producers and the economy of North Dakota by developing, promoting and servicing domestic and international markets.”

The other commissioners and myself always kept this in mind, using the producers money in a way that would best benefit the producer. Some of the actions taken in recent years have been:

1. Export Market Development

- The increase came about by directing the check-off dollars to the areas of the world where the Wheat Commission saw the best opportunity for market growth. This is done by trade teams coming to North Dakota and receiving training at the N.C.I or by contacts made by commissioners when they have the opportunity to meet with buyers overseas. Personal contact is very important in establishing a dialogue with foreign buyers.
- Since the early 60s, Hard Red Spring Wheat has enjoyed a steady increase in the export market, increasing from about 70 million bushels to between 250 and 300 million bushels at the current time. That's a growth of 350% to 425% since the establishment of the Wheat Commission.

2. Trade Issues

- In 1993 the commission challenged the Canadian import issue. The outcome was a one year tariff rate quota that cut imports in half. The \$225,000 investment by the Wheat Commission returned millions of dollars to North Dakota producers by reducing Canadian imports.

3. Domestic Use

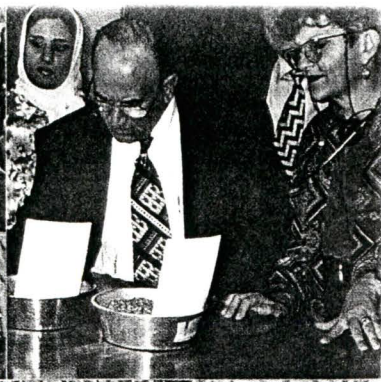
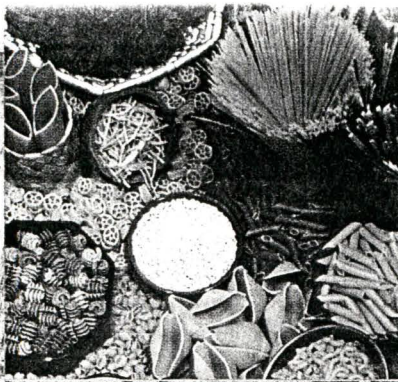
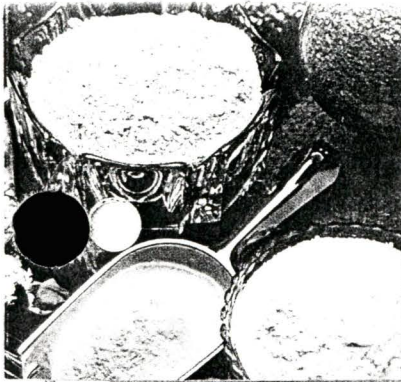
- The Wheat Foods Council which the commission supports at a cost of about \$98,000 per year is money well spent. Per capita flour consumption has increased from 110 pounds/per capita in 1972 to 150 pounds /per capita in 1997. The increase in domestic consumption can be calculated to about .3 cents a bushel or about \$9 million dollars for the \$98,000 spent benefiting North Dakota producers.

4. Research

- In the past the North Dakota Wheat Commission has used producer check-off dollars to help develop quality wheat varieties. They were spending about \$190,000 on research. With the onslaught of scab and midge, it saw the need to almost double that amount because producers were hard hit, and needed the research to be jump started immediately.

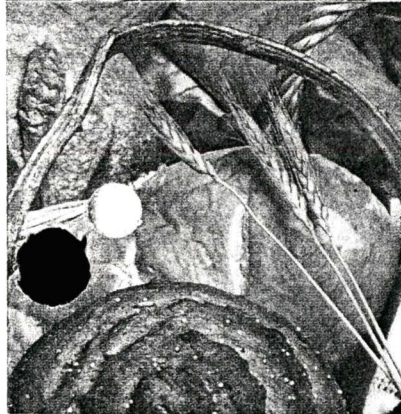
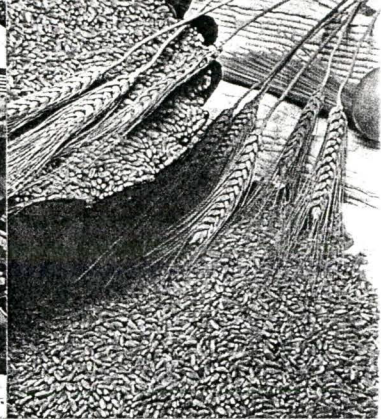
In conclusion, the actions taken by the Wheat Commission over the past decades have well served the North Dakota producer. Their track record speaks for itself, market growth, better varieties through research, representation in trade talks, the list goes on and on.

Thank you for your time. I would be happy to address any questions you may have.

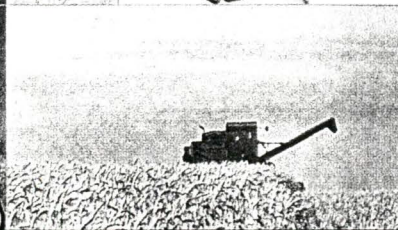
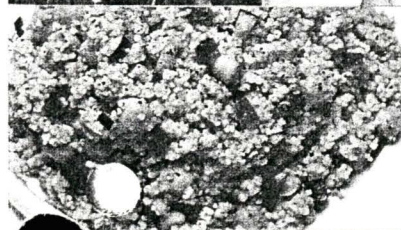
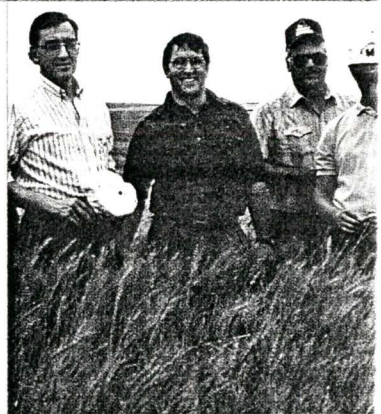


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