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Todd Steinwand, SVP Business Development, BND
Testimony on Senate Bill 2058
Senate Agriculture Committee

Chairman Luick and members of the Agriculture Committee, I am Todd Steinwand, SVP of Business Development here today representing Bank of North Dakota. Senate Bill 2058 was introduced on behalf of BND to amend and NDCC 17-03-01 and 17-03-04 changing the definition in the code from “livestock operation” to “value added operation”.

Background

NDCC 17-03 is the biodiesel partnership in assisting community expansion passed in 2007. This section of code enables Bank of North Dakota to provide an interest rate buydown for entities investing in biodiesel, ethanol or green diesel production facilities. As currently drafted, “livestock operations” are also eligible. Eligible uses of the program include:

- The purchase or construction of real property.
- Expansion of Facilities
- Purchase or installation of equipment, including a biodigester system.
- The loan funds may not be used to refinance debt or relocate facilities within the state.

The maximum buydown to a biodiesel, ethanol or green diesel facility is \$500,000. The maximum buydown to a livestock facility is \$250,000.

As you can see in the following chart, since 2016, Bank of North Dakota has initiated 33 loans totaling \$7,261,882 for livestock operations in the biofuels program.

Livestock Operation	2016	2017	2018	2019	2020
Total Loans	4	6	10	7	6
Total Loans	\$ 904,511	\$ 915,337	\$ 2,138,412	\$ 1,530,162	\$ 1,773,460

Reason for Request

In the 2019-2021 interim, North Dakota’s Agriculture Commissioner approached the Bank of North Dakota about ways the Bank could assist to encourage value added livestock production in the state. After meetings with bank customers and others that produce livestock, the conclusion is that there is an opportunity is to expand the definition within NDCC 17-03.

Proposed Changes

I direct your attention to bullet point Five of the definitions on page 2, lines 1 through 5 in SB2058. The proposed change removes "Livestock Operation" and replaces it with the term "Value added operation". The expanded definition also includes poultry into the code.

~~"Livestock operation" means a livestock feeding, handling, milking, or holding operation located in this state which uses as part of its operation a byproduct produced at a biodiesel or an ethanol production facility.~~ "Value-added operation" includes a producer that engages in dairy and milking or feeding of animals or poultry which enhances the value before sale into the marketplace.

As you will see, the proposed change eliminates the requirement for utilizing "byproducts produced at a biodiesel or ethanol production facility" or what is known as dried distillers grains (DDG's). When the biofuels bill was passed, the ethanol industry was in its beginning stages. Today, the industry is mature and the use of DDG's for livestock feeding is not only accepted but viewed as an essential part of the industry. Eliminating this line will enable BND to finance a broader array of "value added" facilities.

By passing the proposed change, Bank of North Dakota is able extend the buydown of \$250,000 to more producers. BND is also asking for additional funding in its PACE appropriation to support anticipated growth in this program. In closing, we ask for your support of the proposed changes in SB2058.

I will be happy to answer any questions and North Dakota Agriculture Commissioner Doug Goehring is here to provide more information on the potential for value added operations in North Dakota.