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**Testimony of Roger Johnson  
Agriculture Commissioner  
Engrossed HCR 3048  
Senate Agriculture Committee  
Roosevelt Park Room  
March 19, 2009**

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Chairman Flakoll and members of the Senate Agriculture Committee, I am Roger Johnson, North Dakota Agriculture Commissioner. I am here to support Engrossed HCR 3048 which would direct the Legislative Council to study the bonding requirements placed on grain warehouses and buyers and ways to reduce further the financial risk of participants in the production, handling, and processing of grain.

During the past two years, agricultural commodity prices have been extremely volatile and soared to unprecedented levels. The high prices have been a boon to the bottom line of producers and the state coffers and, even though agricultural commodity prices have been retreating, all commodity and financial markets continue to remain erratic during these uncertain times.

Engrossed HCR 3038 addresses the concern of higher grain prices translating to higher risk to producers in terms of warehouse and grain buyer bond sufficiency as well as grain sales to bio-fuel plants. As you know, a major ethanol producer was recently forced into bankruptcy reorganization resulting in potentially significant contract price losses for producers.

Higher grain prices also generally increase the number and value amounts of credit-sale contracts as producers manage their incomes for tax purposes. I supported the creation of the credit-sale contract indemnity fund and, last session, opposed HB 1181 which reduced the fund's assessment trigger levels to a minimum of \$3,000,000 and maximum of \$6,000,000. I believe passing HB 1181 was a mistake and urge that appropriate fund levels be reassessed and based on historic and potential credit-sale liabilities of the state's grain handlers.

These issues are of concern in states beyond North Dakota. Inserted below is a March 4<sup>th</sup> news article from *Brownfield Ag News for America* regarding potential legislation and a similar study by Missouri's Legislature. Unfortunately, Missouri's actions are in response to two grain elevator closings resulting in major financial losses to farmers.

## **Two grain elevator closures may lead to Missouri law changes**

*Wednesday, March 4, 2009, 4:33 PM*

*by Julie Harker*

Changes in state law will likely develop out of two recent grain elevator closings, one in northeast Missouri the other in the northwest part of the state. The T-J Giesecker Farms case in Martinsburg affected as many as 250 farmers who lost as much as 15-Million dollars. The Gallatin Grain Company closing this week might affect as many as 70 farmers who could lose between \$7-Million and \$20-Million.

State Representative Steve Hobbs of Mexico says legislation will be proposed this session but the House Speaker will put together an Agriculture Task Force to thoroughly review the problem and report back for next year. "We in agriculture are very concerned about what we see happening. But we also know that instances like this you need to move carefully. And we think by taking the time over this summer to look at what some other states have done and also maybe to come up with new ideas on how we can address that as a state is important," Hobbs says.

Hobbs proposes raising the bonding requirement for grain elevators from the current maximum of \$300-Thousand dollars to \$1-Million. He also proposes making it a misdemeanor to make grain trade beyond a dealer's capacity. Currently, there is no criminal law in Missouri for grain dealer fraud.

Chairman Flakoll and committee members, this study would be a proactive approach to mitigating these risks before a devastating event takes place. I urge a do pass on Engrossed HCR 3038 and would be happy to answer any questions.