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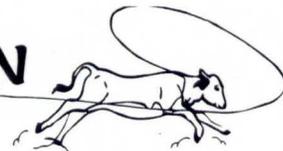
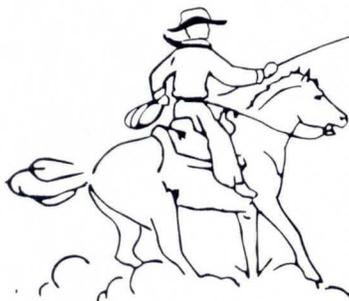
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North Dakota STOCKMEN'S ASSOCIATION



407 S. SECOND STREET
BISMARCK, NORTH DAKOTA 58504-5535
(701) 223-2522
ndsaa@ndstockmen.org
www.ndstockmen.org

Good morning, Chairman Kreidt and committee members. My name is Julie Ellingson and I represent the North Dakota Stockmen's Association.

We were unable to be at your July 16th meeting when Mahlum Goodhart presented our audit, because the meeting overlapped with our own board of directors meeting. I understand that there were some questions that day about how the estray law works and the monies are dispersed and other beef-related topics. That's why we are here today – to hopefully answer those questions and any others you might have.

As a refresher, estrays are cattle, horses or mules – branded or unbranded – whose ownership have not been determined. As the administrator of the state's brand programs, the Stockmen's Association is tasked with managing the state's estray fund and safeguarding the monies for the rightful owners who satisfactorily demonstrate proof of ownership.

I'll give you a few examples:

Let's say an animal is brought to the auction market wearing a brand different than the registered brand of the producer presenting the animal for sale, and he or she does not have the necessary paperwork, such as a bill of sale, market clearance or local brand inspection certificate, to prove his or her ownership. Consequently, the proceeds of the sale of that animal will be "held" at the market while the inspector works to determine if the animal belongs to someone else or until the person who presented the animal for sale can produce the proper paperwork indicating that he or she is the rightful owner. Our market inspectors work to clear up those "holds," as we call them, directly from the market. There were nearly 7,700 holds cleared at the markets in 2013.

If the holds are not cleared within approximately 60 days, the case and the proceeds are turned over to our office, where the money is deposited into the special estray fund, the case is assigned an estray case number and the process continues.

Another situation might be when a steer, for instance, is found in the country. Neighbors are contacted and no one is missing any animals with that description. The animal is inspected for brands and/or other identifying marks indicating its owner, but there isn't anything to prove ownership at that time. The animal is then sold and the proceeds of that sale are deposited into the estray fund while the search continues for the rightful owner.

In all situations, the estray fund is accounted for separately, segregated in its own special account with the monies deposited the second Tuesday of the month with the State Treasurer's Office. North Dakota Century Code requires us to remit the proceeds of the livestock sale to the rightful owner when he or she can demonstrate his or her ownership within 72 months, or six years.

There was a question about the amount of money in the estray fund. As indicated in the audit, in 2013, there was approximately \$233,000 deposited in the fund, with nearly \$165,000 expensed, which represents payouts to owners, as well as claimants who provide feed for animals and mileage to the local auction market. That compares to about \$236,000 in estray income in 2012 and \$165,000 in estray expense.

There was a question about the value of the estray fund compared to previous years. The amount, of course, varies from year to year, depending on the number of animals implicated and the value of those animals at the time of their sale. The cattle market is at an unprecedented high right now. Consequently, the value of the animals held as estrays has been higher and the value of the overall estray fund has also been higher the last few years for those reasons. The value of the estray fund fluctuates day to day as money flows in and out of it regularly as estrays are cleared and/or added.

What does the value of the estray fund mean for the Stockmen's Association? Nothing, really. The estray fund is not our fund. It is the producers' fund that we are statutorily tasked with safeguarding. We cannot use those dollars for organizational purposes. State law does allow us to utilize estray dollars that go unclaimed for longer than 72 months to run the state's brand inspection program. That means that those dollars older than six years can be used to offset costs of inspectors and their supplies for the brand program, not our policy work, educational efforts, environmental services efforts, membership or youth programs, etc. Those departments and their funding sources are managed separately, with a firewall in between and a third-party audit and your oversight for additional checks and balance.

In July, there was mention of the beef checkoff and a question about how it fits with the estray fund. The simple answer is that it doesn't.

What I just described relates to the state's brand inspection program, which requires, by state law, producers to have inspection done for ownership purposes when they cross state lines or move through marketing channels. The cost of inspection is \$1 per head. The beef checkoff is also \$1 per head, but that's a different dollar and where the similarities end

The checkoff is a producer-funded and directed beef marketing program. The checkoff is administered by a separate entity, the North Dakota Beef Commission, which is tasked with that job and adhering to both the state and federal laws pertaining to the checkoff. While the Stockmen's Association is a strong supporter of the checkoff and was instrumental in getting the first checkoff put into place decades ago, our organization neither collects nor administers it.

The question was asked about the possibility of increasing the checkoff, and, yes, NDSA members do support an increase.

The beef checkoff as we know it today went into effect in 1986 at the assessment rate of \$1 per head, the same rate that it is today. At the same time, costs have increased and inflation has caused the buying power of the dollar to shrink to less than half of its value at the time of its inception. Additionally, cattle numbers across the nation are at some of the lowest they have been since the 1950s, and, consequently, there are fewer dollars in the pool. Meanwhile, attacks on beef and beef production practices are increasing, competition is growing and the needs of our industry to educate consumers and promote our product continue to mount.

To address those needs, eleven states – the most recent being Texas and Ohio – have increased their respective state beef checkoffs to provide additional resources to leverage their demand-building capabilities. At least four others are in some phase of exploring such a change.

Our members passed policy a year ago to support a similar \$1 beef checkoff enhancement and expect a proposal that you'll consider during the 2015 session.

Our vision would be that the additional dollar be used for the sole purposes of beef research, education and promotion efforts, just like the current dollar is, and that investment decisions rest solely with the grassroots producers serving on the North Dakota Beef Commission, who are armed with the best information to make those decisions. In some cases, the best bang for the buck might be an investment in in-state efforts. In other cases, it might be to pool those resources with others for national or international programs, which aim to influence consumers in more densely populated regions or high-value markets.

Our vision is also to allow producers who do not want to contribute to additional beef promotion, research and educational efforts the ability to get a 100 percent refund on the additional checkoff, similar to the refund allowances of other state commodity programs, and that the additional checkoff would sunset, if you will, if a national beef checkoff increase would be enacted.

The Stockmen's Association itself does not stand to benefit from a beef checkoff increase directly. The reason that we support an increase, however, is that our industry, our producers, stand to benefit by keeping their product, beef, top of mind and in a favorable light with consumers around the world. In fact, a recent study conducted by Cornell University indicates that for every \$1 invested in the checkoff returns an \$11.20 return on investment. And we can do better than that by bolstering our resources to a more adequate level.

I hope that this is helpful information and clarifies the differences between the brand programs and the beef checkoff. Thank you for time on your agenda this morning. I would be happy to answer any questions you might have.

Thank you, Mr. Chairman.