



2011 Nebraska Farm Bureau Policy Development Guide

State Commodity Check-Off Programs

Issue

Commodity check-off funds have played an integral part in promoting agricultural commodities to consumers, conducting research for developing new uses and commodity products, and opening opportunities for new markets for agricultural commodities. As the issues affecting agriculture and food production continue to change, some people have questioned whether the traditional structure of commodity check-off programs is adequate to meet the needs of today's agriculture.

Background

The Nebraska Legislature has authorized check-off programs for a number of agricultural commodities including corn, wheat, grain sorghum, dairy, potatoes, poultry and eggs, and dry beans. The law typically authorizes an excise tax (check-off), specifies powers and parameters of the individual programs, outlines the check-off entity's governance structure, and identifies the acceptable uses and prohibitions on use of check-off monies. As creations of the legislature, each check-off board operates as a state agency under the State of Nebraska's purview. As such, the boards are currently treated as any other state agency under the direction of the governor, are subject to administrative oversight of state administrative services, and their budgets are subject to the legislature's appropriation process.

Recently discussions have focused on possible changes to check-off programs which would distance them from state oversight. A new type of entity would be created, more in the vein of a private entity with limited connections and oversight from the state. Under the present system, concerns have been expressed that operating the check-off programs under state government doesn't provide enough flexibility to the entities to meet the challenges facing today's individual commodities, and changes should be considered to allow check-off programs to operate more freely with fewer ties to state government. Such changes, depending on how they are implemented, could also reduce the risk of check-off funds being allocated elsewhere in state government.

State check-off programs may be changed in several ways. Concepts have ranged from making *check-off programs completely voluntary with no state connection at all*, to having the state continue to collect the check-off but all administrative decisions would be completely at the discretion of the check-off entity. While it is unclear exactly how or if it is even possible to reduce ties to state government, the concept of modifying the state check-off structure raises a number of questions for consideration.

Farm Bureau Policy

COMMODITY CHECK-OFF PROGRAMS: We believe:

1. Commodity board members should be elected by producers on a non-partisan basis, representing producers generally distributed throughout the producing area:
 - a) All terms and applications procedures should be uniform.
 - b) Board members should be able to serve no more than 10 consecutive years.
 - c) All active producers of a commodity should be eligible to serve on commodity check-off boards.
2. Check-offs on commodities should be mandatory for all producers of the commodity. Producers should have the authority to set the amount of check-off per commodity. Commodity boards should have solid support from producers before they raise the check-off level.
3. Check-off funds must not be used for the purpose of influencing legislation or political purposes. If commodity boards are allowed to use check-off funds to lobby:
 - a) Specific guidelines should be enacted as to how these funds may be used.
 - b) The commodity producer should be entitled to a refund for the amount used for lobbying.
4. Commodity check-off laws should continue to prohibit commodity boards from setting up their own research and development units and from holding intellectual property rights, patents or licenses.
5. Commodity check-off funds should not be diverted to the state general fund.
6. The check-off should be imposed on all agricultural imports.
7. A referendum should be held within two years after implementation of the check-off law and thereafter only by petition request of approximately 15 percent of the producers.
8. An annual certified audit should be made available to the public.
9. No commodity check-off funds should be given to membership commodity organizations or general farm organizations, unless the funds are used on a contractual basis to promote research, development and product utilization of that particular commodity.
10. We oppose combining the Nebraska Grain Sorghum Board, the Nebraska Corn Board and the Nebraska Ethanol Board.
11. We oppose using check-offs to fund water quality programs.

12. We believe the Ethanol and Corn Boards should be strongly encouraged to spend a higher percentage of their budgets on distiller's grain research.
13. We support continuation of the state sorghum check-off.
14. We support an increase in the corn check-off of at least \$0.0015, but not to exceed \$0.0076, for its original intent for promotion, education, and research."

Questions for Discussion

1. Do commodity check-offs as currently structured serve the needs of their respective producers?
2. What, if any, structural changes are needed to make check-off programs more effective?
3. Should state check-off programs be allowed to operate with less state oversight?
4. If so, what measures should be put in place to ensure growers' check-off investments are managed appropriately?