

State Brand Board
Minutes of Public Hearing
June 27, 2012

The Brand Board convened at 10:30 a.m. on Wednesday, June 27, 2012, in the Matthews Training Center, Foss Building, Pierre, South Dakota.

Blair moved and Vance seconded the motion to adopt the agenda. Motion carried.

The purpose of the meeting was to conduct a public hearing on the proposed change to board rule numbered 12:10:01:15 adopted under the authority of SDCL 40-18-16 (8) and 40-19-16, and rule numbered 12:10:02:05 adopted under the authority of SDCL 40-18-16 (5) and 40-21-7.

Members of the Board in Attendance: Bart Blum, Wanda Blair, Mark Kimball, Curt Mortenson, and Scott Vance.

Others in attendance: Larry Stearns, Wray Shouldis, Ron Fravel, Nathan Sanderson, Chris Peterson, Sylvia Christen, Jerry Vogeler, John Kerstiens, Kenny Fox, Jodie Hickman Anderson, Jeff Smeenck, Bob Mercer, and Chet Brokaw..

Oral Testimony - 12:10:01:15 Increase fee for duplicate brand certificates to \$5.00.

Larry Stearns, from the staff, informed the board that the public notice had been published as required, and that he had affidavits of possession and that LRC had reviewed the rules for style, form and legality, and that there were no written comments. He outlined the reasons for the proposed increase in fee for producing and mailing duplicate brand certificates. He stated that the cost to produce the certificate is over \$4.50 in time, materials, and postage.

Jerry Vogeler, SD Livestock Auction Markets Association, testified that the Livestock Auction Markets Association was in favor of the proposal.

Jeff Smeenck, SD Cattlemen's Association testified that the SD Cattlemen are in favor of the proposed increase.

There was no opposing testimony.

There was no written testimony.

Following a brief discussion, Blair moved and Mortenson seconded the motion to approve the amendment of rule 12:10:01:15 to increase in fee for duplicate brand certificates to \$5.00. A roll call vote was taken and the motion carried with the following vote: Blair, yes; Mortenson, yes; Vance, yes; Blum, yes; and Kimball, yes.

Oral Testimony - 12:10:02:05 Increase in brand inspection fee from \$.80 to \$.90.

Larry Stearns, from the staff, informed the board that the public notice had been published as required, and that he had affidavits of possession and that LRC had reviewed the rules for style, form and legality, and that there were no written comments. Stearns outlined the reasons for the proposed increase in brand inspection fee. The Brand Board has been operating the brand inspection program for the past 3 ½ years. At the end of FY2011 we showed about a cash balance of \$105,404 taking into account a \$17,046 loss for

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the year. The loss was attributed to a mileage bonus to our inspectors to help compensate them for the high cost of fuel.

Sterns indicated that this year, the legislature has approved a one-time bonus for state employees as well as a cost of living increase in July which is \$2,300 per full time employee and less to those working for fewer than the three years. As state employees, brand inspectors have not received a salary increase in the last three years. They will be getting one this July.

Last year, the board approved a bonus of \$.14 per reimbursed mile to cover increased cost of traveling to inspections. The state reimburses mileage at a rate of \$.37/mile. Surrounding states are currently reimbursing at a rate ranging from fifty cents in Colorado to 55 ½ cents in Wyoming and Montana. ND reimburses at \$.51. The Board approved the request to do the same thing this year as they felt that the inspectors should not be expected to subsidize the inspection program.

Stearns testified that in order to retain current inspectors and attract new younger inspectors to be able to take the reins when some of the older inspectors retire, the Board needs to pay a competitive wage to keep up with the economy. Young ranchers could use brand inspection as an extra income but it has to pay a more attractive wage than the next job out there. The Board approved a payment to inspectors of \$10 per local inspection of 100 head or less. This will come out of the Board budget this coming fiscal year and legislation will be introduced this year for this service fee to be paid by the producer having the inspection done. In FY2011, brand inspectors conducted 7,441 local inspections. Twenty-two hundred of these inspections or 31% were for one or two head. Forty-seven percent, or nearly 3,500 inspections were for ten head or less. Seventy-eight percent of inspections were for 100 head or less. It is hard to ask someone to drive 20 miles to look at 2 head of cattle for \$1.60 and lose money on the mileage or attract new inspectors for that kind of pay.

The condition statement provided to the Board shows the projected increased salary scenarios and mileage bonuses. Salary, mileage and meal reimbursement are 94% of the brand inspection budget. Remembering that it is difficult to predict the future, an increase to \$.90 should be able to carry the inspection program for 3 years.

Jerry Vogeler, SD Livestock Auction Markets Association, stated that it is important to reflect on history as it pertains to the efforts to bring parties together. He and his members feel comfortable with the direction that things are going. They feel that this is a good proposal and the SD Livestock Auction Markets Association asks the Board to support this proposal.

Sylvia Christen, SD Stockgrowers Association, said that their board met in the beginning of June and decided to support the \$.10 fee increase. They had submitted further questions to Nathan Sanderson and Larry Stearns and got a quick turnaround on the response. Although there are still a few questions, she felt that we are headed in the right direction with this conversation. The Stockgrowers are here today in support of a \$.10 fee increase.

Jeff Smeenk, SD Cattlemen's Association, said that we would like to see the brand inspection stay a viable operation and we are in favor of this proposal.

John Kerstiens, SD Farmers Union, said he thought that their board had its questions answered and had spoken with many brand inspectors and want to see that they get the appropriate mileage. They shouldn't have to pay to do their job. They support the proposal.

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Opposing testimony:

Kenny Fox, a Belvidere SD Rancher, thanked Nathan Sanderson for the open door policy of his office. He stated that he felt it is premature to raise inspection fees as the number of livestock selling now is increasing as a result of the drought and the price for fuel is coming down. For these reasons, he opposes the fee increase.

There was no written testimony.

Following a brief discussion, Mortenson moved and Blum seconded the motion to increase the inspection fee from \$.80 to \$.90 per head. Mortenson said that he felt that livestock inspection numbers would increase with a drought, but would be lower in the fall and with higher priced corn there would be more heifer retention further lowering livestock inspection numbers. Blair said that she felt that this Board may be setting up later board members for failure because of uncertainty in numbers and weather. Blum said he supports an increase to give reasonable wages to inspectors. Vance added that since he came onto the board, that the he has seen investigations increase and has never seen so many proponents for something that the Brand Board wanted to do. . A roll call vote was taken and the motion carried with the following vote: Blair, yes; Mortenson, yes; Vance, yes; Blum, yes; and Kimball, yes.

The next meeting is set for August 1, 2012.

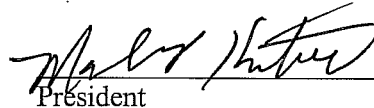
The hearing and meeting adjourned at 11:00 a.m.

Respectfully submitted,

Larry Stearns



Director



President

These minutes were filed for the record on 8-1-2012.