



South Dakota Legislative Research Council

Issue Memorandum 95-14

SOUTH DAKOTA'S COMMODITY CHECKOFF PROGRAMS

South Dakota, like many other states, has adopted “checkoff” programs for several of its agricultural commodities. Essentially, a checkoff program deducts a small checkoff amount, one cent per bushel for example, from the amount paid to the producer when the producer sells the commodity. The producer retains the right to apply for and receive a refund for the checkoff payment if the producer chooses not to participate in the checkoff program. The money raised through the checkoff is then typically used for research and promotion for the commodity in order to improve the quality or usefulness of the commodity or to improve or create markets for the commodity. Most checkoff programs are also associated with national organizations dedicated to the same purposes.

COMMODITY CHECKOFF PROGRAMS IN SOUTH DAKOTA

South Dakota currently has five commodity checkoff programs, which have been established by statute: South Dakota Wheat Commission, South Dakota Oilseeds Council, South Dakota American Dairy Association, South Dakota Soybean Research and Promotion Council, and South Dakota Corn Utilization Council. The South Dakota Honey Industry Commission (SDCL 38-30) was created in the late 1980s but repealed by the 1990 Legislature. Also, the 1989 Legislature combined two existing checkoff programs, the Flax Research Fee (38-14A) and the South Dakota Sunflower Council (38-27), by

repealing the flax checkoff statute and changing the Sunflower Council to the South Dakota Oilseeds Council (38-27), which deals with sunflowers, safflowers, canola, and flax.

South Dakota's commodity checkoff programs use a variety of organizational structures with varying degrees of involvement by the South Dakota Department of Agriculture, although all are under the department's administrative umbrella. In addition to the programs listed here, checkoffs also exist for beef and pork production, but these are federal programs and are not addressed by state statute.

SOUTH DAKOTA WHEAT COMMISSION (SDCL 38-10)

The South Dakota Wheat Commission was established by the Legislature in 1961 to promote the “utilization, research, and market development” of wheat produced in South Dakota. The commission is composed of five members appointed to three-year terms by the Governor. Members must be resident South Dakota landowners and have been actually engaged in growing wheat in South Dakota for at least five years. The statute requires that at least two members live west of the Missouri River and two live east of the Missouri River and that members be selected so as to represent various classes of wheat and wheat production in the state. The statute also directs the commission to appoint a full-time executive

director (formerly appointed by the Secretary of Agriculture), and the commission is currently budgeted for three FTEs. The Wheat Commission office is located in Pierre (773-4645).

SDCL 38-10-22 establishes South Dakota's promotional fee on wheat at one cent per bushel on all wheat harvested in the state and sold through commercial channels. The fee is assessed and imposed on the grower at the time of sale or delivery, and no wheat is subject to the fee more than once. Persons who do not wish to participate in the wheat checkoff program may obtain a refund of the promotional fee by applying to the commission within sixty days after the fee has been collected. In FY 1994, the promotional fee on wheat generated \$942,035, with approximately a 14% refund rate that year.

South Dakota Wheat Commission revenues are used for wheat research, market development, and product promotion and education. According to the commission, "almost every variety of wheat grown in this region was researched and developed through check-off dollars." In research, the commission cooperates with South Dakota State University, the Wheat Quality Council, the South Dakota Crop Improvement Association, and the National Association of Wheat Growers. In the area of market development, the commission deals with U.S. Wheat Associates in Washington, D.C., which is funded by checkoff fees paid by farmers in seventeen wheat producing states. The commission also assists in funding the activities of the Northern Crops Institute located at North Dakota State University in Fargo. Other organizations that work with the South Dakota Wheat Commission are the Wheat Foods Council, South Dakota Wheat, Inc., and the Wheat Export Trade Education Committee.

The Wheat Commission's 1994 budget was

spent approximately as follows: market development - 31%; refunds, administration and operations - 34.5%; research - 16%; information, education, and promotion - 11%; and policy and government affairs - 7.5%.

SOUTH DAKOTA SOYBEAN RESEARCH AND PROMOTION COUNCIL (SDCL 38-29)

The South Dakota Soybean Research and Promotion Council was created by the Legislature in 1984 for the purposes of "discovery, promotion, development, and expansion of domestic and export soybean markets and for research, education, and transportation." The Soybean Council may have from five to nine members who must be participating soybean growers. Initial members are appointed by the Secretary of Agriculture to three-year terms, and subsequent members are elected. The Soybean Council office is located in Sioux Falls (334-9296).

The soybean promotional fee is also one cent per bushel and is imposed on all soybeans grown in the state or sold to a first purchaser within the state (SDCL 38-29-8). As with wheat, producers may receive a refund of the checkoff fee by applying to the Soybean Council within sixty days of collection. In FY 1994, the soybean checkoff raised \$1,255,325, with refunds of \$220,074, approximately 18%.

The South Dakota Soybean Research and Promotion Council pays 50% of its annual revenues to the United Soybean Board, a national organization for soybean research and promotion. The Soybean Council also provides funding to South Dakota State University for soybean research, as well as assisting in funding such groups as North Central Regional Soybean Research and the Bureau of Mines for Biodiesel research. The council is also involved in promoting the development and use of new

soybean products, such as biodiesel fuels and soy-based ink. The council finances promotion, research, consumer information, international and domestic marketing and consumer programs, producer communications, and administration.

SOUTH DAKOTA OILSEEDS COUNCIL (SDCL 38-27)

As noted above, the South Dakota Oilseeds Council was created in 1989 by combining the Flax Research Fee, which dated back to 1974, and the South Dakota Sunflower Council, which had been established in 1980. The Oilseeds Council administers the promotional fee for sunflowers, safflowers, canola, and flax. The Oilseeds Council's mission is to promote the production, marketing, and development of the oilseed crops.

The South Dakota Oilseeds Council consists of eight members who are appointed to four-year terms by the Secretary of Agriculture. The membership includes five sunflower growers, one safflower grower, one canola grower, and one flax grower. One of the members must reside west of the Missouri River. The South Dakota Oilseeds Council office is located in Pierre (224-1591).

SDCL 38-27-11 establishes the amount of the oilseeds checkoff assessment at two cents per hundredweight for sunflowers, safflowers, and canola and one cent per bushel for flax. SDCL 38-27-18 provides participating oilseeds growers with the opportunity to pass an advisory referendum to raise or reduce the oilseeds assessment rate. If the referendum passes, the Secretary of Agriculture must prepare a bill to be submitted to the next Legislature, although the Legislature is not bound by the referendum results and may adopt or defeat the proposed change. As with other checkoff programs, the seller may apply within sixty days of the sale to

the Oilseeds Council for a refund of the checkoff assessment. From 1991 through 1994, the oilseeds checkoff refund rate has ranged from 10% to 14%. During FY 1994, the oilseeds checkoff raised \$112,157 for sunflowers, \$2,429 for safflower, \$1,731 for flax, and \$25 for canola.

The Oilseeds Council remits 60% of its checkoff revenues to the National Sunflower Association. Those funds match federal money and are used for export promotion, blackbird control, grower meetings, the *Sunflower Magazine*, and related purposes. The Oilseeds Council also provides funding, nearly \$30,000 in 1994, to South Dakota State University for production research purposes.

SOUTH DAKOTA CORN UTILIZATION COUNCIL (SDCL 38-32)

The Legislature established the South Dakota Corn Utilization Council in 1989 for purposes of "market maintenance, expansion, research, education, transportation and for the prevention, modification, or elimination of trade barriers which obstruct the free flow of corn and corn products to market." The Corn Utilization Council consists of fifteen members who are elected by district by participating corn growers. Each district consists of several South Dakota counties, and no county is divided among more than one district. The Corn Utilization Council office is located in Sioux Falls (334-0100).

The corn checkoff assessment is one cent per bushel on all corn marketed to a first purchaser within the state (SDCL 38-32-15). The assessment is deducted from the purchase price of all corn subject to the checkoff and purchased by the first purchaser. Corn growers have sixty days following the assessment to apply to the Corn Utilization Council for a refund of the net

amount of the assessment collected. During FY 1994, the corn checkoff assessment refund rate was approximately 15%. The corn checkoff assessment generated \$823,878 in FY 1994. As with other checkoff programs, the council also receives interest revenue and other miscellaneous revenues. During FY 1994, the Corn Utilization Council provided \$515,654 for grants and subsidies and \$295,590 for contractual services.

Corn growers have been particularly interested in developing new markets and new uses for corn, with major efforts in recent years to promote the use of ethanol fuels using alcohol derived from corn. Another area of interest has been the development of corn processing operations in South Dakota.

SOUTH DAKOTA AMERICAN DAIRY ASSOCIATION (SDCL 40-31)

The American Dairy Association of South Dakota was created by statute in 1951 by the State Legislature. The association was formed for the purposes of promoting scientific research for discovering and developing "health, food, therapeutic, dietetic, and industrial uses for dairy products" and for dairy commodity advertising, publicity, and sales promotion and research and education to increase the consumption of dairy products. The association office is in Brookings (692-4812).

The South Dakota American Dairy Association consists of three members who are dairy producers, two members who are dairy processors, and the Secretary of Agriculture and head of the Dairy Husbandry Department at South Dakota State University, who are ex officio members. The statute provides that none of the members may be engaged in the production or distribution of butter substitutes. The producer and processor members are

appointed by the Governor to three-year terms.

In addition to the basic statutory requirements, the association has recently subdivided itself into eleven multicounty districts in South Dakota to increase grass-roots involvement. Also, the association has joined with its counterparts in Minnesota and North Dakota to improve its dairy promotion efforts. This multistate organization is known as the American Dairy Association/Dairy Council of the Upper Midwest. Under this arrangement, each state retains programs locally but also has the ability to participate in larger and more effective regional and national dairy promotion programs.

South Dakota's dairy assessment fee is set by SDCL 40-31-9 at no less than one-half of one percent and no more than two percent of the gross value of milk produced in South Dakota. The exact rate is set by the association, and rates may not change by more than one-fourth of one percent per year. The dairy checkoff also has a refund provision, but refunds may only be applied for within thirty days after July first each year. During FY 1994, South Dakota's dairy assessment yielded \$1,600,000, with refunds that year of \$151,752.

The association contracts with the American Dairy Association/Dairy Council of the Upper Midwest described above to carry out many of its activities, which include such programs as fluid milk, cheese, butter, ice cream, and cottage cheese advertising and sales promotions; food service programs; nutrition education programs for health professionals, educators, and consumer groups; support for the Dairy Foods Research Center; and other programs and activities.

SOUTH DAKOTA COMMODITY CHECKOFF PROGRAM OFFICES

SD Wheat Commission
Pierre 773-4645

SD Oilseeds Council
Pierre 224-1591

SD Soybean Research and Promotion Council
Sioux Falls 334-9296

SD Corn Utilization Council
Sioux Falls 334-0100

SD American Dairy Association
Brookings 692-4812

South Dakota's commodity checkoff programs expanded in number during the 1980s with the addition of the Corn Utilization Council, the Soybean Research and Promotion Council, and the reorganization of the Oilseeds Council. Based on refund rates, which seem to stay in the ten to fifteen percent range for most commodities, participation in commodity checkoff programs in South Dakota appears to be high, with consistent legislative support as all sectors of the agricultural economy continue their efforts to improve and diversify their products and to preserve and expand markets.

SUMMARY

This issue memorandum was written by Tom Magedanz, Principal Research Analyst for the Legislative Research Council. It is designed to supply background information on the subject and is not a policy statement made by the Legislative Research Council.
