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JASON SCHMIDT, President  
Medina  
JASON ZAHN, Vice President  
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MARK REICH, Immediate Past President  
Towner

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MARK HUSETH  
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Sidney, MT  
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Gackle  
GENE HARRIS  
Killdeer  
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St. Anthony  
STAN MELROE  
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DUANE BOHRER  
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JEFF SCHAFER  
New Rockford

**DISTRICT 2**

CURTIS BROWN  
Montpelier  
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MARK WAGNER  
Monango

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Tappen  
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Steele  
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FRED HELBLING  
Mandan  
CASEY MAHER  
Morristown, SD  
JONATHAN MAROHL  
Solen  
FRANK MELCHIOR  
Almont

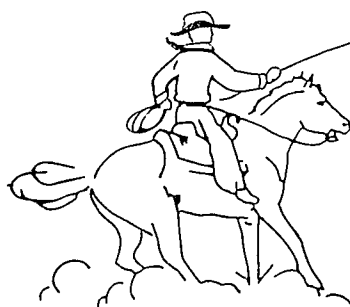
**DISTRICT 5**

STEVE BROOKS  
Bowman  
PAIGE BURIAN  
Manning  
JASON LEISETH  
Arnegard  
WATSON WOLD  
Ford City

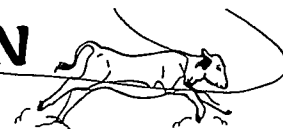
**DISTRICT 6**

DOUG FEIRING  
Powers Lake  
MARK GIEDD  
Washburn  
GABE THOMPSON, JR.  
Antler  
RANDY SCHMITT  
Rugby

# North Dakota STOCKMEN'S ASSOCIATION



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



Good morning, Chairman Klein and members of the Administrative Rules Committee. For the record, my name is Julie Ellingson and I represent the North Dakota Stockmen's Association.

The Stockmen's Association administers the brand inspection program for the state, and has done so since 1949. It is a responsibility our organization takes seriously, as it helps ensure that rightful livestock owners get paid for their animals and that the state's livestock laws are enforced.

In North Dakota, brand inspection is required before cattle, horses or mules are transported from the state and as they move through marketing channels, such as auction markets and scales. Our inspection team consists of approximately 25 full-time inspectors, a chief and two fieldmen, as well as nearly 200 local inspectors, who serve as contract employees in the field. Last year, the team inspected nearly 1.36 million head of livestock.

Currently, at 75 cents per head, North Dakota's inspection fee is the third lowest in the nation for cattle inspections, and the lowest in the nation for equine inspections.

It was at the advice of the Brand Board that our Board of Directors requested that the Board of Animal Health consider a change in the inspection fee this year. The reasons: 1) to address the rising costs associated with running the

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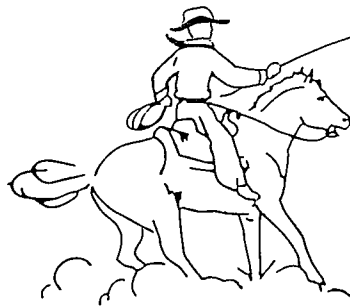
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program and 2) to address the trend of losses over the past four years. The program has operated at an average loss of \$89,489 each year since 2006.

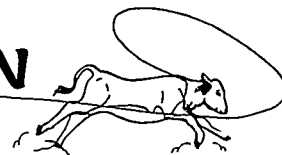
The 75-cent inspection fee was set in 2003, and has been the same the last seven years. Since that time, however, the program has seen significant increases in a number of categories, but, most notably, workers compensation insurance, which is up by 35.9 percent, health insurance, which is up by 29.6 percent, and mileage, which is up by 38 percent, compared to the 2003 values. Those three components, combined with wages, make up 95.6 percent of all brand inspection expenses, with the remaining 4.4 percent being administrative expenses for things such as postage and telephone.

The decision to pursue a brand inspection fee change is not one the Brand Board took lightly. It contemplated the decision over the past couple of years, engaged fellow livestock producers in the discussion and opted to move forward only when it was viewed as absolutely necessary to ensure a sound inspection program for years to come. The Stockmen's Association's prudence was demonstrated very clearly when it rejected a proposal to add a minimum service charge to every inspection. As stewards of producers' hard-earned dollars, our leaders are comfortable in only asking for what is necessary and what will cause the least impact to cattle, horse and mule owners. According to the regulatory analysis of this proposed change prepared by the State Board of Animal Health, the estimated impact would be \$19.70 per operation.

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If the change is approved, local brand inspectors – many of whom are farmers and ranchers who do the work as a service to their communities – would receive 50 cents of the \$1 inspection fee, whereas, right now, they keep 35 cents of the 75 cents collected.

What wouldn't change is the outside oversight of the inspection program and the checks and balances that ensure that it is managed correctly. For instance, all funds collected are and will continue to be remitted to the State Treasurer's Office and then remitted back to the association from the Office of Management and Budget to administer the program. By law, the North Dakota Stockmen's Association is to provide a financial audit once every two years, but has and will continue to voluntarily provide one on an annual basis. The audits are and will continue to be on file with the Legislative Council and be reviewed by the Legislative Audit and Fiscal Review Committee.

Livestock production is challenging work, and producers are faced with many variables that can impact their bottomline. Ensuring that their animals are protected from loss and theft is the role of the brand inspection program, and one the Stockmen's Association is proud to provide. To help to continue to provide the kind of protection producers have come to rely on, we respectfully request your favorable consideration of the proposed rule change.