

## COMMODITY CHECK-OFF BOARDS PROGRAM

### **General Overview**

Michigan Department of Agriculture (MDA) has legal, fiscal and program oversight responsibility for the entire group of 14 legislatively established commodity boards which have producer check-offs or producer assessments. The Department Director delegates this authority to various department divisions and offices.

### **Legal Authority**

- PA 232 of 1965, the Michigan Agricultural Commodities Marketing Act, 11 commodities;
- PA 29 Michigan Potato Industry Commission;
- PA 114 Michigan Bean Commission; and
- PA 291 Michigan Beef Industry Commission, and covers both beef and veal programs.

### **Key Areas of Oversight**

- MDA Executive Office conducts the initial and 5-year periodic referendums for the commodity boards. AgD is the liaison between the Executive Office and the commodity groups.
- Fairs, Exhibitions and Racing Division is delegated the responsibility for Producer Security, which assists in producer assessment collections from processors/handlers.
- Agriculture Development Division (AgD) has been delegated the authority to represent the MDA Director at all Regular and Executive Board meetings. AgD is able to attend only about 50 percent of the scheduled meetings. AgD is also responsible to ensure that the Michigan Open Meetings Act and Freedom of Information Act regulations are being followed and observed by the check-off boards. We read all of the Minutes and keep the Director informed.
- MDA also has fiscal responsibility to ensure funds are being used according to industry adopted programs and in compliance with State of Michigan statutory financial and generally-accepted accounting standards,
- Office of Internal Audit Services (OIAS) reviews all Commodity Audits and provides a written review of the audits provided to ensure financial soundness and compliance with generally accepted accounting practices, specifically GASB 34. This is done at no direct cost to the AgD division. AgD staff then communicates with the commodity boards/executives the recommendations from the OIAS review and provides assistance in their financial management implementation.

Although not directly part of commodity oversight, AgD also organizes and leads quarterly "Commodity Executives" meetings in which staff persons from more than 60 agricultural and food organizations are invited to participate in the 3-4 hour meetings on a variety of important topics and current issues for Michigan's food and agriculture industry.

## **Number of Meetings During a Fiscal Year**

Approximately 50 meetings were attended during FY 2008 by division staff. This includes the 14 commodity check-off boards and quarterly Commodity Executives Meetings.

This number (50) represents less than 50 percent of the meetings that were attended 5 years ago when MDA provided a full-time commodity coordinator (Sandy Hill) who attended almost all of the meetings and also did agricultural tourism activities. AgD staff has absorbed the commodity coordination duties in addition to their other division responsibilities involved with marketing and economic development since the MDA budget efficiencies were instituted in 2005 and both the State Legislature and Executive Branch decided not to replace the full-time commodity coordinator.

## **Hours Worked and Associated Costs**

During FY 2008, AgD staff recorded 368.5 hours in EWARS for this commodity coordination activity. Total staff time and travel costs are estimated to be \$10,000 to 15,000.

## **Additional Information: Key MDA Legal Responsibilities Under PA 232**

### **Sec. 7 of PA 232.**

*(3) The director or his or her representative shall serve as a nonvoting ex officio member. Additional nonvoting ex officio members may serve if approved for in a specific marketing program.*

*(4) A committee, with the advice and consent of the director and the commission of agriculture, may reapportion either the number of committee members or member districts, or both. Reapportionment of the districts shall be on the basis of production or industry representation. The reapportionment may be commenced 30 days after the effective date of the amendatory act that added this subsection. Reapportionment of either members or districts shall not occur more often than twice in any 5-year period and shall not occur within 6 months before a referendum.*

*(5) After the reapportionment described in subsection (4), if the residence of a member of the committee falls outside of the district for which he or she serves on the committee and falls within the district for which another member serves on the committee, then both members shall continue to serve on the committee for a term equal to the remaining term of the member who served for the longest period of time. After the reapportionment described in subsection (4), if a district is created in which no member serving on the committee resides, then a member shall be selected in the manner as prescribed in each program. After a reapportionment or redistricting, a committee may*

*temporarily have more members than prescribed in the marketing program until the expiration of the term of the longest serving member from that district.*

*(8) The business which a committee may perform shall be conducted at a public meeting of the committee held in compliance with the open meetings act, 1976 PA 267, MCL 15.261 to 15.275. Public notice of the time, date, and place of the meeting shall be given in the manner required by the open meetings act, 1976 PA 267, MCL 15.261 to 15.275.*

Sec. 8 of PA 232

*(1) Money, assets, or other items of value collected or received under this act, whether collected from assessments, received as grants or gifts, or earned from royalties or license fees or derived from any activities performed by another organization, agency, or individual and conducted under a marketing program, are not state money and shall be deposited in a financial institution in this state. The money shall be allocated to the marketing program under which it is collected or received and shall be disbursed only for the necessary expenses incurred for the marketing program according to the rules established under the marketing program and for grants authorized under a marketing agreement or marketing program.*

*(2) Except as otherwise provided for in this subsection, all expenditures shall be audited by a certified public accountant at least annually and within 30 days after completion of the audit, the certified public accountant shall give copies of the audit to the members of the committee and the director. An activity and financial report shall be published annually and made available to interested parties. A committee with annual assets of \$50,000.00 or less, based upon a 3-year average, shall be audited twice between referenda and shall have a financial review conducted in those years where it is not audited under this subsection.*

Sec. 11 of PA 232.

*(1) After recommending the adoption or amendment of a marketing program, the director shall determine by a referendum whether the affected producers assent to the proposed action. If provisions prescribed in section 3(1)(h) are part of the proposed marketing program, the director shall also determine by a referendum if processors assent to the proposed action. The director shall conduct the referendum within 45 days after the issuance of the recommendation. The affected producers shall be considered to have assented to the proposal if more than 50% by number of those voting representing more than 50% of the volume of the affected agricultural commodity produced by those voting assent to the proposal. The affected processors, if provisions prescribed in section 3(1)(h) are in the marketing program, shall be considered to have assented to the proposal if more than 50% by number of those voting representing more than 50% of the volume of the affected agricultural commodity processed by those voting assent to the proposal.*

Sec. 14 of PA 232.

*If a program has been approved in referendum, the director shall:*

*(a) Insure that the program is self-supporting.*

*(b) Supervise all committee activities to assure program operations are in accord with the rules established under the program as approved by the referendum.*

*(c) Coordinate administrative activities between the committee and the department.*

*(d) Confer and cooperate with the legally constituted authorities of other states and the United States.*

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