

# **Beef Board Executive Committee Recommendations on Improvements to the Beef Checkoff Program**

**January 2009**

## **Background**

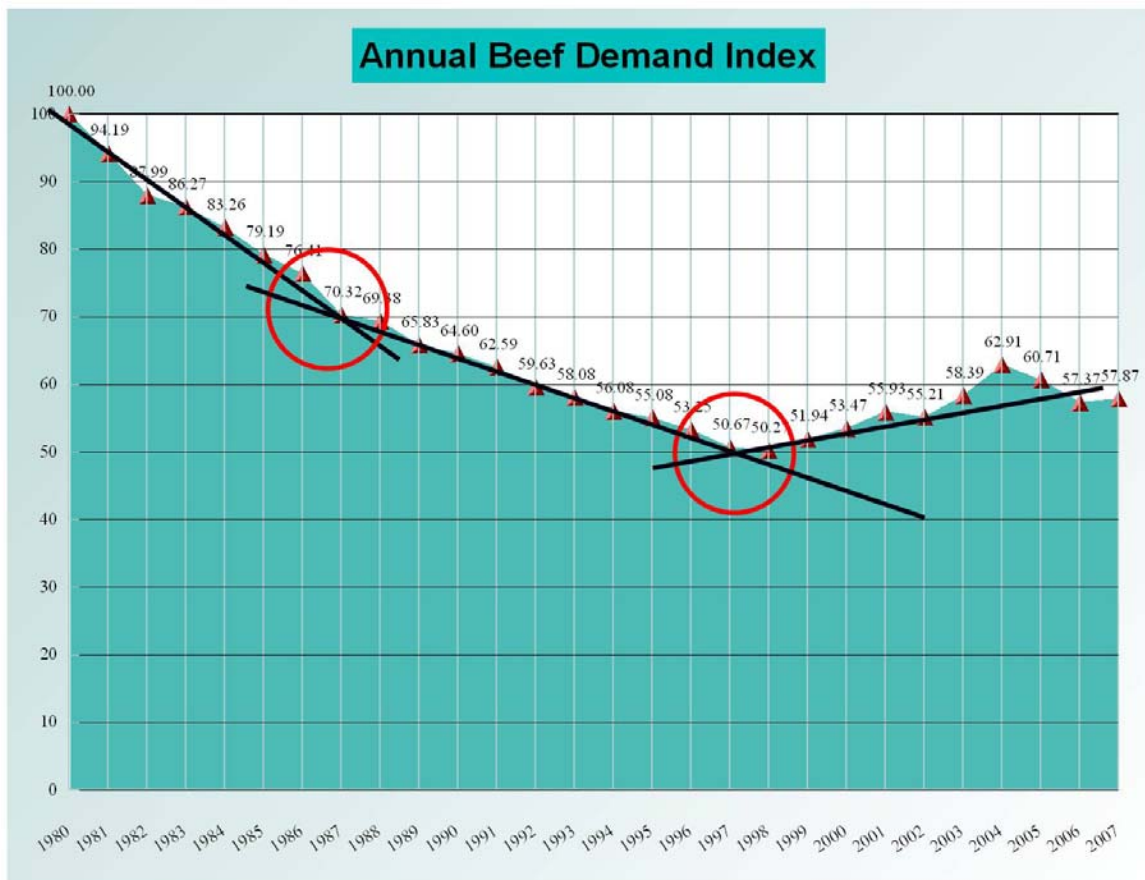
The Beef Checkoff Program has been a success during its first two decades of service to the beef industry. During times of potential crisis, such as *E. coli* outbreaks or the discovery of BSE in our cow herd, it has been the safeguard we needed to maintain consumers' confidence in the safety of beef at 74 to 91 percent over the past 10 years. As consumer tastes and preferences changed, checkoff dollars provided the catalyst to bring more than 2,500 new products to restaurants and grocery stores and helped educate consumers about the nutrient value of our product at a time when others are attempting to eliminate beef from our diets. And during a time when consumers are flooded with food advertising, 85 percent of consumers recognize and appreciate the tagline "Beef. It's What's For Dinner."

Despite these achievements, challenges to our industry continue. And while the program has operated for 22 years with minimal changes, the beef industry and general marketing conditions have experienced significant changes. For example, the average carcass weight of fed cattle has increased from 647 pounds in 1986 to 771 pounds in 2007, a 19 percent increase. Also, it takes \$2 to purchase the same amount of goods and services in 2008 that cost \$1 in 1986, and it takes \$4 to purchase advertising in 2008 with the same frequency and reach as it did in 1986. This means that the assessments we now collect are worth half as much as they did in 1986 yet we have 19 percent more beef per animal to promote. Put another way, we would need to collect \$2.38 per animal today to have the same buying power as we did in 1986.

In addition, there are significant forces at work today that were less significant or didn't exist in 1986. These include, but are not limited to: increased competition from poultry, pork and other protein choices; increased influence and funding of activist and anti-meat groups; heightened food safety awareness among global consumers after recent record *E. coli* recalls and two domestic cows in the U.S. which tested positive for BSE; and increased competition from Australia and other countries for a share of worldwide export markets.

As a result of these factors and discussions within the industry about potential improvements to the Beef Checkoff Program, the Beef Board Executive Committee received approval from the Agricultural Marketing Service of USDA for the Beef Board to develop and recommend changes to the Beef Promotion and Research Act and Order to the U.S. Secretary of Agriculture (but is obviously prohibited from lobbying for any recommended improvements to the Act or Order).

As we look at the process of improving the checkoff and ways to make a good self-help program even better, perhaps it's a good time to look back at where we've been as well as looking forward to the opportunities and possibilities that lie ahead. If we look at the beef demand index graph (following page), it shows a steeply-declining trend prior to the passage of the 1985 farm bill and the ensuing, resounding approval by producers of the Beef Checkoff Program. Although we can't take all the credit for the turn-around in beef demand, our investment of checkoff dollars in programs such as "Beef. It's What's for Dinner." advertising, beef safety research and issues management has played a significant role in the demand index shift.



In 1995, it was decided that in order to increase demand for beef, the industry needed to become more focused, thus the industry long-range plan was born, giving a more singular focus to the many diverse programs funded by the beef checkoff. The resulting pooled investment of checkoff funds in programs focused on increasing demand, both domestically and globally, helped change the slope of the demand index again.

The merger of the Beef Industry Council of the National Live Stock and Meat Board and the National Cattlemen's Association in 1996 to create the National Cattlemen's Beef Association (NCBA) was an additional outcome of the industry effort to focus resources. And it was put together with safeguards to protect checkoff investment and due diligence integrated into the process. The Federation – now the organization which represents state beef councils – was charged with maintaining these firewalls to assure that no checkoff funds could be diverted to policy issues. In addition, the Cattlemen's Beef Board (CBB) continued to be responsible for oversight of all checkoff funds and assuring that the criteria of the firewalls is adhered to. CBB continually monitors these activities and conducts compliance audits to make certain that these firewalls are indeed intact and inviolate. In addition, USDA has the final authority and responsibility to ensure all checkoff funds are expended in accordance with the Act and Order and to approve CBB's oversight procedures and funding decisions. These safeguards are observed and maintained.

Much has been accomplished toward increasing demand for beef both domestically and worldwide. The Beef Board wishes to acknowledge the role that our industry partners have played in the many successes achieved by the beef checkoff since its inception in 1986. As with any program, however, it is prudent to look at the Beef Checkoff Program from time-to-time to see if improvements are needed. It is particularly important in these difficult economic times to

continue to narrow our focus while still maintaining the foundational pieces, such as research and new product development. With this background in mind, it is the Beef Board's desire to suggest changes in the beef checkoff that will improve the program without forfeiting its focus and effectiveness.

In an effort to ensure the Beef Board considered all relevant improvements to the Beef Checkoff Program, the Beef Board Executive Committee directed the Beef Board Administration Subcommittee to develop recommendations for consideration by the Executive Committee based on suggestions received from industry organizations, Beef Board members and individual producers. In addition to the regular subcommittee members, two State Beef Council representatives, representatives of USDA, a producer representative of the Federation of State Beef Councils, legal counsel and CBB's CEO were invited to participate in the Administration Subcommittee discussions as advisors to the subcommittee.

### **Process for Gathering Suggested Improvements**

The Beef Board conducted the following process for gathering, reviewing and recommending changes to the Act and Order to the Executive Committee:

National Industry Organizations – CBB's officers and CEO met with the officers or designated representatives of the following national organizations who wanted to discuss their organization's suggested improvements to the Beef Checkoff Program:

- American Farm Bureau Federation (AFBF)
- American National CattleWomen (ANCW)
- Dairy Management Inc. (DMI)
- Livestock Marketing Association (LMA)
- Meat Importers Council of America (MICA) \*
- National Cattlemen's Beef Association (NCBA)
- National Farmers Union (NFU)
- National Livestock Producer's Association (NLPA)
- National Meat Association (NMA)
- National Milk Producers Federation (NMPF)
- Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA)
- United States Cattlemen's Association (USCA) \*

*\* Met with these organizations via conference call.*

In addition, the following national organizations were invited to discuss their organization's suggested improvements to the Beef Checkoff Program, but did not meet with the CBB officers and did not provide written suggestions:

- American Farmers and Ranchers (AFR)
- American Meat Institute (AMI)
- American Veal Association (AVA)

State Beef Councils, Certified Nominating Organizations and National Breed Associations – Given the number of State Beef Councils, certified nominating organizations and national breed associations, CBB sent letters to these organizations requesting written suggestions on improvements they would like to see in the Beef Checkoff Program.

Beef Board Members and Individual producers – CBB also asked Beef Board members and individual producers to provide CBB with written suggestions on improvements they would like to see in the Beef Checkoff Program.

## **Process for Consideration of Suggested Improvements from the Industry and Development of Recommendations to the U.S. Secretary of Agriculture**

In its deliberations, the CBB Administration Subcommittee reviewed 359 suggestions from 66 organizations and individual producers, many of which related to similar improvements, such as the rate of assessment, exemptions from assessment, periodic referenda, the independence of the Federation of State Beef Councils, etc. As a result, many of the recommendations could be grouped into a single suggestion with the subcommittee grouping these suggestions by similar topic. Some of the comments, however, were related to legislative issues, specific tactical program changes and other items outside the purview of the subcommittee.

The Administration Subcommittee reviewed and discussed the suggestions during two meetings (one in Chicago and one in Denver) and held one conference call to finalize the subcommittee's report of recommended improvements to the Beef Checkoff Program for consideration by the CBB Executive Committee.

The subcommittee identified those recommendations that would require changes to the Act and Order in the first section of this report, those recommendations that would require procedural changes are presented in the second section, and the third section includes comments that reveal the deliberations of the subcommittee that took place on a particular issue but did not result in recommended changes.

## **Recommended Improvements to the Beef Promotion and Research Act and Order**

Based on recommendations of its Administration Subcommittee, the CBB Executive Committee recommends the following improvements that require changes to the Beef Promotion and Research Act and Order (Act and Order):

- A1. Increase Assessment Rate:** Amend the Act to increase the assessment rate from \$1 per head to \$2 per head at the time of each transaction with producer approval in a referendum. In addition, the Beef Board would have authority to increase the assessment in increments to a maximum of \$3 per head with the Secretary's approval and producer approval in a referendum. It was agreed that any increase would be shared equally among CBB and state beef councils as is currently done.

**Commentary:** The rate of assessment issue garnered the most comments from groups providing input to the subcommittee. There were many proposals to modify both the assessment rate and the collection mechanism, including several suggesting a \$5 assessment at harvest. After significant discussions of possible changes to the collection system, the subcommittee decided the advantages of a

\$5 per head collection at harvest—an increased rate of compliance and an easier collection mechanism with fewer collection points—were outweighed by the perception of inequities in the “pass-through” of the assessment costs to all sectors of the industry and the difficulty of distributing assessments to beef councils in an equitable manner. *Also see comment D for additional discussion of the collection mechanism.*

With respect to the level of assessment to be collected, the subcommittee reviewed several analyses relating to the loss of value of the checkoff over the last 20 years. Based upon input from the groups meeting with the officers, and subcommittee members, it was agreed that an increase to \$2 per head was appropriate. It was also decided by the subcommittee that the need to go back and amend the Act to increase the assessment above \$2 in the future would be a waste of resources. Therefore, the subcommittee recommended that authority be included in the Act for the Secretary to increase the assessment in increments to a maximum of \$3. It is important to note that any adjustment to the assessment rate would have to be approved by producers in a referendum and would not be automatic.

- A2. Assessment Exemption:** Exempt from the assessment any transaction in which an animal is sold for \$50 or less.

**Commentary:** Several comments received by the subcommittee recommended exempting those animals that did not garner a significant monetary value. Several subcommittee members related stories where an assessment was paid on animals that were either given away or sold at a very low cost. One concern raised by the Secretary relating to exemptions was the added compliance that would result due to an additional exemption. Currently there are exemptions for cattle which are held for less than 10 days, where the owner is facilitating a transfer of cattle from one person to another, the organic producer exemption, and if implemented, an exemption for animals sold for \$50 or less. However, the subcommittee believed it was important that this exemption be provided as a matter of fairness. *See comment I for further discussion of assessment exemptions.*

- A3. Additional Referenda:** Provide beef producers with the opportunity every seven years for additional referenda on the Beef Checkoff Program. *See Exhibit A for recommended language to amend the Act.*

**Commentary:** Several comments received by the subcommittee related to a desire to facilitate a periodic determination as to whether producers want a referendum on the program. Several other commodity checkoff programs include periodic opportunities to request a referendum for their producers. As a result of the input from several organizations, the subcommittee recommended that producers have the right to request a referendum every seven years by filing a request with the Farm Service Agency (FSA) and county extension offices in their county. The subcommittee proposed language that would result in this request for referendum on a periodic basis. The cost of any referendum is paid for with checkoff dollars.

- A4. Expand Contracting Authority:** Amend the Act to expand the contracting authority of the Beef Promotion Operating Committee to allow any national, non-profit, industry-governed organization. *See Exhibit B for recommended language to amend the Act.*

**Commentary:** Several comments received by the subcommittee related to the current contracting authority within the Act and Order. Several organizations commented that the authority needed to be expanded to include national, nonprofit, industry-governed organizations which were created after the enactment of the Act (1985). The subcommittee recommended that the Act be amended to include the authority for these new organizations to contract with the Operating Committee.

- A5. Contracting authority to address payment issues:** Amend the Act to expand the contracting authority of the Beef Promotion Operating Committee to include authority, with approval of the Secretary, for the Operating Committee to contract with subcontractors of national, non-profit, industry organizations if requested by those organizations to facilitate payment for services. *See Exhibit B for recommended language to amend the Act.*

**Commentary:** The committee also discussed operating issues relative to current contracting procedures through the Operating Committee. Currently the Operating Committee contracts with a national, non-profit, industry-governed organization (NNPIGO) to implement a program, the NNPIGO then contracts with a for-profit company, such as an advertising agency, to carry out program elements, such as development of ad copy or purchase of advertising space or time. Under this process, the NNPIGO sends to the CBB an invoice to cover the activities of the for-profit entity for the work performed. CBB pays the funds requested in the invoice to the NNPIGO and the NNPIGO is responsible for the payment to the for-profit company. This often is a time-consuming process that is only exaggerated if billing problems or questions arise, often at no fault of the NNPIGO. This process increases the risk of the NNPIGOs since they are the organizations ultimately responsible for payment to the for-profit entity.

This amendment would allow the Operating Committee to contract with the for-profit entity for the purposes of payment and invoicing. The NNPIGO would continue to manage the for-profit contractor and would oversee their activities. This would reduce the risk to NNPIGOs when contracting with the Operating Committee. The Act would continue to require the Operating Committee, comprised of 10 members of CBB and 10 members representing the Federation of State Beef Councils, to approve these contracts with a 2/3 vote required for action. Authorization Requests would continue to be submitted to the Operating Committee by NNPIGOs.

- A6. Allow Regional Beef Councils:** Amend the Act and Order to allow qualified beef councils to be organized on a regional basis, with one beef council per state or region. *See Exhibit B for recommended language to amend the Act.*

**Commentary:** The subcommittee received several comments relating to creating flexibility for qualified state beef councils due to shifting production areas within the country, areas with low cattle numbers but high population, and the increasing costs of maintaining administrative offices in each state. As a result of significant

debate, the subcommittee recommended that beef councils be qualified not only on a state basis but potentially on a regional basis. This recommendation resulted in a proposed amendment to the Act which will allow qualified beef councils to be organized either on a state basis or on a regional basis, at the request of states within a region. Therefore, if two existing state beef councils wanted to combine their efforts as one beef council to reduce costs and increase efficiency, the Act, if amended pursuant to this recommendation, would allow them to do that. However, the recommendation would continue to require that there only be one qualified beef council for each state or region. Therefore, there could not be the possibility of two beef councils operating within the state or region.

- A7. Eligible Nominating Organizations:** Revise the criteria to allow eligible organizations to nominate producers to serve on the Beef Board. *See Exhibit C for recommended language to amend the Act.*

**Commentary:** The subcommittee reviewed comments relating to the criteria for eligible organizations to nominate members to the Cattlemen's Beef Board. When the criteria were initially drafted into the law, there were fewer organizations within the industry. Subcommittee members were concerned that all constituencies who pay into the Beef Checkoff Program need to have the opportunity to be represented on the Cattlemen's Beef Board. However, many of these constituencies are represented by organizations which, in a strict sense, do not meet the criteria currently included in the Act and Order. For example, there are organizations that represent a substantial number of cattle producers in the state, but they do not represent a majority of those cattle producers in the state, nor is their membership made up of a majority of cattle producers. The change in language will require organizations to represent a substantial number of beef producers in the state as a whole, not a county or portion of the state. Therefore, the subcommittee believed that it is important that the criteria be modified to allow more organizations that represent substantial numbers of cattle producers to nominate board members.

- A8. Extend Officer Terms:** Allow the term of a Beef Board officer to continue even if it extends past the officer's second consecutive term provided the officer is elected by the Cattlemen's Beef Board. A Beef Board officer whose term is extended would be a non-voting, ex-officio member of the Beef Board, but would be a voting member of the Beef Promotion Operating Committee and the Beef Board Executive Committee. *See Exhibit B for recommended language to amend the Act.*

**Commentary:** Comments expressed by subcommittee members indicated that several qualified individuals who are on, or have been on, the Beef Board were closed out of seeking an officer's position because their term would expire within the three years prior to the members moving through the officer positions. Several subcommittee members indicated that it took two to three years to understand the processes and issues that come before Beef Board officers and the two three-year term limitation requires that a Beef Board member begin moving through the officer positions no later than the end of his/her first term. The subcommittee agreed with those commenting who indicated that an officer's term should continue if he/she is elected to an officer position. Once the member was no longer an officer, his/her term would immediately expire. The subcommittee also

believed it important that the state represented by the officer not lose representation during this extended term. Therefore, the subcommittee recommended that a board member be nominated and appointed from the state in which the officer represents on the normal term so that the state does not lose representation should the officer fulfill his/her term and have his/her term expire. As a result, the subcommittee recommended that officers continue to serve after their second term as long as they are elected to an officer's position. *Also see comment H for additional discussion of appointment terms for Beef Board members.*

- A9. Enforcement Capabilities:** Enhance the Beef Board's ability to enforce the collection of assessments by allowing the Beef Board to hire legal resources to enforce collections. *See Exhibit B for recommended language to amend the Act.*

**Commentary:** Several beef councils indicated to the subcommittee the importance of maintaining the integrity of the compliance program. If producers believe they do not have to pay the assessment, an increase in compliance problems will result. The Act currently authorizes only the Office of General Counsel and the Justice Department to enforce collection under the Act and Order. These resources are not readily available to the Cattlemen's Beef Board and there are instances where the level of assessments subject to compliance is relatively small. QSBCs indicate there are circumstances in which even small compliance cases need to be enforced due to the public nature of the violators. The subcommittee recommended an amendment to the Act which would authorize the Cattlemen's Beef Board, with the approval of the Secretary, to retain additional compliance and legal resources to ensure enforcement of the Act. It should not require the Cattlemen's Beef Board to retain these services but would authorize them if they are needed.

### **Recommended Improvements to the Beef Checkoff Program that Do Not Require Changes to the Beef Promotion and Research Act and Order**

The Beef Board Executive Committee recommends to the Beef Board that the following procedural improvements to the Beef Checkoff Program be referred to the appropriate industry organizations:

- P1. Federation of State Beef Councils:** The Executive Committee found producer's perceptions of insufficient separation between the Federation of State Beef Councils and NCBA's Policy division to be of serious concern, having the potential to threaten the future of the Beef Checkoff, and forwards these concerns to NCBA's Governance Task Force and the Federation for their urgent consideration. *See Exhibit D for information submitted to the NCBA Governance Task Force.*

**Commentary:** Many comments were received relating to the structure and independence of the Federation of State Beef Councils. Many of those commenting indicated they would like to see the Federation separate from the National Cattlemen's Beef Association. This was an area of intense discussion within the subcommittee. The subcommittee believed that the Federation should be identified as a distinct organization from the National Cattlemen's Beef Association. However, the subcommittee believed that this was an industry issue

and not an issue which should be accomplished through amendment of the Act or Order. Based on the subcommittee and Executive Committee discussion, they felt very strongly that the industry organizations involved should move this recommendation forward as quickly as possible.

- P2. More Inclusive Participation:** In an effort to make the planning and budgeting processes of the beef checkoff more inclusive of beef industry organizations, the Beef Board should improve upon its efforts to invite representatives of all beef industry organizations to attend all committee meetings at their own cost.

**Commentary:** The subcommittee discussed comments relating to concerns that the meetings of the Cattlemen's Beef Board, Operating Committee, and Board committees were not open to all producers. While there is some concern relating to the manner in which committee meetings are conducted, the subcommittee felt it was important to note that all board meetings and committee meetings, even those conducted jointly with the Federation and NCBA, are open to the public unless a specific executive session is convened. The subcommittee believed there is a need for organizations to be provided better notice of meetings and an opportunity to participate and raise issues within the Beef Board and committee structures. Cattlemen's Beef Board staff indicated that it could invite representatives of all national industry organizations to committee meetings and provide agendas and other relevant information to those organizations so that they may attend, if desired.

The subcommittee also engaged in a discussion relating to staffing of committee meetings, especially those conducted jointly with the Federation and NCBA. It should be noted that the Cattlemen's Beef Board contracts with NCBA for staffing of program committees, annual checkoff planning services and implementation of checkoff-funded programs. Organizations other than NCBA can participate in those committee meetings and can seek Authorization Request (AR) approval through the Operating Committee. Once again, it is important that the Board make sure that it is providing notice of these committee meetings to all organizations, and that the Operating Committee gives other organizations an opportunity to submit ARs for consideration. Currently the Cattlemen's Beef Board staff provides organizations with a request for proposals to the Operating Committee so that they are aware of the AR process and the timing of those submissions. The subcommittee did not recommend any changes to the structure other than ensuring that these organizations be apprised of the committee meetings and the relevant information necessary to participate.

- P3. Revise Committee Structure:** The joint committee structure should be revised to conduct separate Nominating Committee meetings for CBB, the Federation and the NCBA Policy Division. The Joint Industry Advisory Committee Coordination Agreement should be amended to reflect the change.

**Commentary:** Subcommittee members discussed several comments relating to the structure and participation of Board members and other industry organization members on joint committees. Many of those commenting indicated that the committees are too aligned with, or too close to, NCBA. The Act requires national programs funded by CBB and the Federation to be coordinated through the Operating Committee, so it is also important for Federation members and CBB

members to work jointly on program committees. Since the Federation of State Beef Councils is currently an operating division of NCBA, it creates the perception that NCBA has an undue influence on expenditures of CBB and the Federation. This perception will continue to be fostered as long as the current structure remains (*see recommendation #P1*). The subcommittee also recommended to the NCBA Governance Task Force and the CBB Executive Committee to conduct separate Nominating Committee meetings for CBB, the Federation and the NCBA Policy Division.

- P4. Improve Communication with Industry Organizations:** The Beef Board should improve all processes for communicating with existing and potential contractors in order for those organizations to be more involved in the funding processes of the Beef Promotion Operating Committee.

### **Other Suggestions Discussed by the Administration Subcommittee**

The Beef Board Administration Subcommittee thoroughly discussed the following suggested improvements. While these deliberations did not result in recommended changes to the Act, Order or procedures, the subcommittee felt it was important to report these discussions:

- A. Authorization to Promote U.S. beef:** Comments were received by the subcommittee indicating the Cattlemen's Beef Board should promote beef from U.S. born and raised cattle. The subcommittee discussed this issue and was of the opinion that CBB and state beef councils already have the authority to promote a "U.S. Beef" branded product since the Executive Committee is authorized to approve branded product promotions. The subcommittee did not think it advisable to fund generic advertising of U.S. beef because it would create some difficulties and logistical problems. For example, there are significant amounts of beef product, such as hamburger, which are not 100 percent "U.S. Beef." Furthermore, any requirement that the Operating Committee promote beef as "U.S. Beef" would carry significant liability issues relating to that representation. This liability could result, for example, from customers suing the beef checkoff when a retailer misrepresents the beef promoted by the checkoff as originating in the U.S. when in fact the beef originated in a different country. In view of the fact that CBB already has the authority to promote a "U.S. Beef" brand and the logistical problems relating to "U.S. Beef" generic representations, the subcommittee did not recommend authority for a "U.S. Beef" generic promotion program.
- B. Authorization to Conduct Production Research:** The subcommittee discussed comments relating to increasing the authority to conduct production research focused on improving economies and efficiencies in cattle production. Current authority already allows the checkoff to fund live-animal research if the primary objective of the research relates to the quality or safety of beef. Therefore, some production research is authorized pursuant to the Act and Order. In discussing this issue, the subcommittee was concerned about diverting checkoff dollars to production efficiencies at a time when private companies are allocating significant resources to that endeavor. It was also concerned that expanding authority to allow production research could devolve into a breed issue, which could significantly affect competition between breeds and producers. As a result of these factors, the subcommittee did not make a recommendation to expand this authority at this time.

**C. Current petition/referendum process:** The subcommittee received comments relating to changes in the current petition and referendum process, including suggestions that we conduct mandatory referenda every five to ten years. The subcommittee discussed the benefits and costs of having mandatory referenda, and decided the benefits to the industry (e.g., periodic votes ensuring accountability to producers) did not outweigh the costs to the industry (e.g., short-term focus of checkoff programs, difficulty in retaining quality checkoff staff and the expense to the checkoff of conducting a referendum). As a result, the subcommittee recommended that there be an opportunity for producers to request a referendum every seven years because this process will achieve the accountability benefit of a mandatory referenda but will minimize the costs to the industry (see recommendation #A3 above). In addition, the subcommittee did not believe that it would be appropriate to preclude industry members from seeking a petition outside of the periodic request for referendum process. Therefore, it did not propose any changes to the current petition process in the Act and Order which allows the Secretary to hold a referendum on the beef checkoff if 10 percent of eligible producers and importers sign a valid petition requesting a referendum.

**D. Changes in the collection system:** There were several comments submitted to the subcommittee which proposed changes to the collection system and changes in the assessment levels. The subcommittee spent significant time deliberating potential changes to both the assessment level and collection system, such as collecting at harvest on a per head basis, on a per pound basis, and on a percent-of-value basis. These deliberations focused on ways to generate more funding for the checkoff and improving compliance. The subcommittee agreed that collection at harvest could be the easiest collection system to implement and probably would maintain the highest compliance level. However, there were several issues which moderated the support for collection-at-harvest processes, as follows:

- i. Most of the state laws currently in effect are based on a per-transaction collection method. Therefore, significant work would have to be done to change the collection processes in all of the state laws.
- ii. There was concern that collection at harvest would not be embraced by packers/processors and potentially cattle feeders due to the requirement to collect the full assessment.
- iii. Several subcommittee members were concerned that other players in the production chain would be disassociated and lose contact with the checkoff if they were not directly paying the assessment.
- iv. Collection at harvest could create a representational issue in view of the fact that packers and/or feeders may argue that they are picking up most of the costs related to assessments at harvest. While the intent of the program would be to pass assessments along with the animal, several members indicated that it would be difficult to require that, and in many cases the assessment would not be passed along.
- v. The subcommittee felt that continuing to collect the assessment on a per-head basis at the time of sale is the preferred method because it is simple and therefore more easily understood by producers.

For these reasons, the subcommittee did not recommend changing the collection system at this time.

**E. Proportionate representation of industry segments on the Cattlemen’s Beef Board:**

Some organizations presented comments indicating that the Act should be amended to mandate proportional representation on the Board of various segments of the industry. The subcommittee discussed these suggestions with the USDA official present at the meeting, who indicated that the Secretary does take into consideration the various segments and constituencies within the beef industry, such as dairy, veal, etc., and does make appointments on a representational basis. In some cases, the USDA official indicated that the Secretary does not receive sufficient nominations from some segments to allow the appointment of a representational group to the Cattlemen’s Beef Board. In view of this, the subcommittee recommended that the criteria for eligibility to nominate producers be expanded so that more organizations can be eligible and nominate producers to the Cattlemen’s Beef Board (see recommendation #A7 above). As a result of the subcommittee’s recommendation and the fact that the Secretary already conducts a representational appointment process based upon segments within the industry, the subcommittee did not feel it necessary to recommend any proposed amendments to the Act and Order.

**F. Packer assessment:** The subcommittee discussed the issue of packer assessments or packer contributions to the checkoff program. Currently, packers pay assessments on cattle they buy and hold for longer than 10 days prior to slaughter. The subcommittee was of the opinion that packers should pay an additional assessment to be used for research and marketing of beef and beef products. However, the subcommittee did not believe it was prudent at this time to recommend an amendment to the Act or Order assessing packers on a transactional basis. The subcommittee also discussed the model of the dairy industry, where a processor program and a producer program work in a coordinated fashion to promote milk and other dairy products but are set up as two separate programs, one at the producer level and one at the processor level. The subcommittee would like to recommend to the industry that packers begin to develop a packer-funded program to address several issues currently funded by the producer checkoff program. However, at this time, the subcommittee did not recommend inclusion of packers as part of the producer checkoff program, but welcomed this participation.

**G. Creation of an importer beef council:** A few comments were received by the subcommittee relating to creation of an importer beef council. The subcommittee discussed this issue and decided that a beef council for importers was not appropriate because beef councils do more than implement programs. They are responsible for collecting assessments in a defined region and communicating about the checkoff to producers in that region. Importers do not appear to have a need or a desire to perform these services since the U.S. Customs Service already collects importer assessments at no charge to CBB and CBB already works closely with the Meat Importers Council of America to communicate about the checkoff to importers. In addition, importers are not concentrated in one geographic region, so it would be difficult to create a “regional” beef council for importers.

The crux of the issue appears to be the importers’ desire to have greater input on the spending of funds collected from importers, much as producers do on state beef councils. The subcommittee was sympathetic to the argument that importers should have more input over the funding collected from importers, but did not believe it was necessary for importers to have a beef council to influence how import assessments are spent. For

example, the Meat Importers Council of America already implements promotion and public relations programs for CBB in the northeast where there is not sufficient beef council spending. In addition, importer representatives serve in key leadership roles on administrative and program committees, in addition to having a representative on the Operating Committee. As a result of these factors, the subcommittee did not recommend changes to the Act and Order, but it did encourage the CBB officers to investigate options to provide importers with greater input into the expenditure of import assessments.

- H. Term limits of Beef Board members:** The subcommittee discussed the need to increase the number of years that CBB members are allowed to serve on the Beef Board. This would allow CBB members more time to (a) better understand the complex structure of the Beef Checkoff Program and (b) provide CBB members more time to develop and serve as an officer of the Beef Board. The subcommittee members also recognized that extending the terms of CBB members would not allow as much “new blood” to continually energize the Board and provide new perspectives on a continuous basis and may also stifle the participation of young state leaders on the Cattlemen’s Beef Board for several years. As a result, the subcommittee did not believe it was necessary to expand the number of years that Board members could serve on the Board on a continuous basis.

However, the subcommittee did think it was important to address the issue of improving CBB members’ ability to be elected to serve all three officer positions of the Beef Board, so it recommended a change to the Act to allow CBB officers to maintain their position on the Board as long as they maintain an officer’s position. Their term on the Board would expire immediately upon leaving office. *See recommendation #A8 above.*

- I. Other exemptions from assessments:** The subcommittee entertained several comments relating to exemptions from assessment, including low-cost animals, dairy, and a few other exemptions. It was noted by the committee that there exists an organic exemption for beef that is produced on a farm which meets the USDA definition of “organic.” The subcommittee also noted that there is a 10-day exemption for people who facilitate the transfer of cattle from buyer to seller where the only purpose of the ownership was to facilitate that transfer. Exemptions create significant compliance problems and loopholes for non-payment of what would be an appropriate assessment. The subcommittee recommended that animals for which \$50 or less is received should be exempt from payment of the assessment. This is a fairness issue to ensure that the impact of the assessment is not overly burdensome financially. However, the subcommittee did not identify any other transactions or animals for which an exemption would be appropriate. As a result, the only additional exemption which was recommended by the subcommittee was for animals for which \$50 or less is received.

In addition to the recommendations and considerations of the Executive Committee and Administration Subcommittee presented in this report, there were many other suggestions received and considered by the subcommittee that were not deemed to be improvements to the Beef Checkoff Program. A summary of the suggestions received is presented as Exhibit E to this report.

The Executive Committee and Administration Subcommittee wish to express their gratitude to the industry organizations submitting comments and to the national industry organizations which took the time to meet with the Beef Board officers to discuss their suggestions for improvements to the Beef Checkoff Program.