

# The Beef Checkoff – How Does It Work?



The \$1-per-head beef checkoff is collected on all cattle sold. Congress created the checkoff as a producer directed promotion, research and information program with the passage of the 1985 Farm Bill. It was approved in 1988 by 79 percent of beef producers in a referendum after grassroots input shaped the program. The Cattlemen's Beef Board was created to administer the beef checkoff program.

## WHAT DOES THE BEEF BOARD DO?

The Cattlemen's Beef Board (CBB) is a board of 108 beef and veal producers and importers appointed by the U.S. Secretary of Agriculture after nomination by qualified beef organizations on a state-by-state basis. The CBB oversees collection of \$1-per-head checkoff assessments by Qualified State Beef Councils and administers and evaluates the Beef Checkoff Program. The Beef Board is required to contract with national beef-industry organizations to implement its checkoff programs. The Beef Board selects 10 of its members to serve on the Operating Committee.

## WHAT DO STATE BEEF COUNCILS DO?

State beef councils collect the \$1-per-head checkoff and can retain 50 cents of every dollar to conduct and implement programs at the state level. The councils may invest a portion of their 50 cents in national and international programs and decide which programs to fund. Together as a federation, states select 10 members to serve on the Operating Committee.

## WHAT IS THE OPERATING COMMITTEE?

The 20-member Operating Committee must approve all national checkoff programs and contracts with national industry-governed organizations to implement programs. Contractors are reimbursed only for the work they actually do for the Beef Board and cannot make a profit from a checkoff contract.

## WHO DECIDES HOW MY MONEY IS SPENT?

Producers. The 108 national Beef Board members are nominated by fellow producers to represent them – there are 245 certified beef, dairy, veal and farm organizations that can nominate producers. In addition, more than 600 cattlemen serve on state beef councils in 45 states. The Operating Committee consists of 20 producers, 10 from the Beef Board and 10 from the state beef councils.

## CAN WE HAVE A REFERENDUM?

The legislation requested by cattlemen that created the beef checkoff states that the Secretary of Agriculture can call a referendum when 10% of producers request it. This would be an estimated 106,000 names. Cattlemen would pay the cost of the referendum out of checkoff dollars – the estimated cost to hold a referendum is \$3 to \$4 million.

## DO I GET ANY RETURN ON MY INVESTMENT?

The average dollar spent through the beef checkoff generated a \$5.67 net gain to cattlemen, according to an independent peer-reviewed study conducted by Dr. Ron Ward, an economics professor at the University of Florida. Ward's analysis evaluated impacts of beef checkoff programs from 1987 through the first quarter of 2000. Ward's analysis predicted that cattlemen's receipts increased \$6.46 billion over receipts that would have existed without the checkoff. From 1987 through 2000, checkoff assessments totaled \$968 million – less than 0.3% of producer revenues during the same period.

## WHERE DOES MY MONEY GO?

More than 200 national programs are currently underway, divided into six categories. State beef councils also follow these general areas when budgeting the dollars kept for state use.

- **Promotion** – Increases beef sales through advertising, merchandising, foodservice, new product development and promotional partnerships.

- **Research** – Provides the foundation for checkoff-funded activity. Checkoff projects are developed based on consumer, nutrition, beef safety and product research.
- **Consumer Information** – Improves beef’s image through nutritional data and other positive messages targeted to news media, food editors, teachers, dieticians, physicians and other influential groups.
- **Industry Information** – Promotes an understanding of the beef industry and maintains a positive marketing climate for beef by helping to manage misleading publicity concerning food safety, environmental and animal welfare issues.
- **Foreign Marketing** – Identifies and develops international markets for U.S. beef and variety meats.
- **Producer Communications** – Informs beef producers about how checkoff dollars are invested and communicates program results.

## **ISN’T NCBA AND THE BEEF BOARD THE SAME THING?**

No. The National Cattlemen’s Beef Association (NCBA) is one of several contracting organizations that carry out approved checkoff projects, but it is governed and operated separately from the Beef Board. Other contracting organizations include the U.S. Meat Export Federation and American National CattleWomen. For national projects, the process starts with producer-members on the Beef Board and then goes to the 20-member Operating Committee. Once the Operating Committee approves projects, they still must be approved by USDA before work can begin.

## **WHAT IS THE ROLE OF THE NATIONAL CATTLEMEN’S BEEF ASSOCIATION IN THE CHECKOFF?**

NCBA has two divisions. One of them – the policy division – is the industry’s largest membership organization. The other division is the Federation of State Beef Councils. The Federation division coordinates closely with the CBB to implement the industry’s Long-Range Plan and contracts with the Beef Board to conduct specific checkoff programs. The CBB and USDA must approve a budget, and the Operating Committee and USDA must approve the proposals before NCBA can proceed with any checkoff programming. This is the same procedure followed by all other contractors with the Beef Board, i.e. the American National CattleWomen.

## **HOW CAN WE BE SURE THAT CHECKOFF DOLLARS DO NOT GO TO NCBA’S POLICY DIVISION?**

The Beef Board has neither involvement with nor connection to NCBA’s policy division, and absolutely no checkoff time or money is invested or used therein. This is assured through a so-called “firewall,” which is a tight system of accounting policies, procedures, practices, controls and evaluations. These controls assure that actual costs of checkoff programs are measured precisely and allocated correctly – all toward preventing NCBA or any other Beef Board contractor from receiving any checkoff revenue except that which is necessary to reimburse costs actually incurred in carrying out approved projects on behalf of the CBB. It is important to keep in mind that checkoff dollars are paid to contractors on a cost-recovery basis only, meaning that contractors may only be reimbursed by the CBB for actual costs incurred. As clearly mapped out in the Beef Act and Order, contractors are not permitted to profit from checkoff work.

## **WHY IS NCBA THE LARGEST CONTRACTOR OF BEEF CHECKOFF DOLLARS?**

Several dozen organizations are eligible to submit proposals, or authorization requests (ARs), to the Operating Committee for consideration, based on requirements mapped out in the Beef Act and Order. In fact, the CBB sends letters to interested organizations twice a year to inform them of the coming schedule, priorities, Long-Range Plan and process for program development. Because they cannot, however, be reimbursed for anything above and beyond actual costs, most eligible organizations don’t submit proposals. Historically, NCBA has submitted the bulk of these requests. This does not, by any means, assure approval of those requests, or does it prevent other organizations from submitting competing or additional requests. But if you take a quick look at the history of the beef industry, a pretty clear explanation for this emerges: NCBA was formed through a very open process that led to the merger of the National Live Stock and Meat Board’s Beef Industry Council and the National Cattlemen’s Association, which were the No. 1 and No. 2 contractors of checkoff dollars prior to their merger. When you combine the two leading contractors into one organization, it stands to reason that you would end up with a new largest contractor – and one with an abundance of promotional and research expertise and institutional knowledge about the Beef Checkoff Program. Nonetheless, be assured that if and when other organizations submit proposals to carry out checkoff programs, they are reviewed based on the same criteria.