



THE BEEF CHECKOFF - WHO PAYS, WHO BENEFITS?

THOMAS F. "FRED" STOKES
EXECUTIVE DIRECTOR



In response to diminishing market share in the early 80's, a program to promote beef and beef cattle producers interest was initiated. The program was funded through the assessment of \$1 per head each time a bovine animal was sold. Initially, participation was voluntary, but was made mandatory when the program became part of the Farm Bill as The Beef Promotion and Research Act of 1985. *The stated objectives were; "To enable cattle producers to establish, finance, and carry out a coordinated program of research, producer and consumer information, and promotion to improve, maintain, and develop markets for cattle, beef, and beef products."*

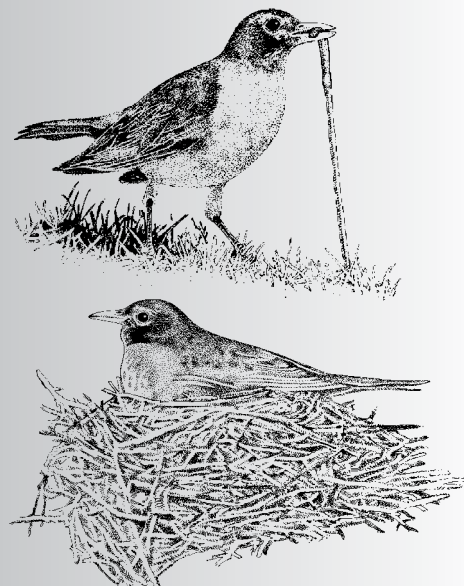
The beef checkoff has been in place for some 25 years, with more than \$1.6 billion collected and spent. Just how effective has the program been in "**promoting, improving, maintaining and developing markets for cattle, beef, and beef products?**"

Not very! During this period we

have lost market share, downsized the domestic cow herd, drastically reduced the producer's share of the retail beef dollar and put nearly 500,000 beef cattle operations out of business, including 35,000 cattle feeders just since 1996.

So was the Beef Checkoff a bad idea? I say it was a good idea that simply **got hijacked!** While producers have been compelled to pay the sum of \$80 million per year, the overwhelming benefit has accrued to organizations controlled by opposing big meat packing and retailer interests. The National Cattlemen's Beef Association (NCBA), guided and backed primarily by one very powerful state group, the Kansas Livestock Association (KLA), have captured the program and the money it generates to build a national political powerhouse, pushing an agenda in direct opposition to the interests of checkoff-paying producers. Cattle producers were fed propaganda, generated with their own money, and betrayed.

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For the past fourteen years, NCBA has been the primary contractor for the program. This past summer, the results of a "performance review" of the organization's handling of the beef checkoff revealed shocking abuses and misappropriation of funds. An auditing firm (Clifton Gunderson) reviewed one percent of the transactions for a period of two years and five months and found significant misuse of funds. After some haggling between the Cattlemen's Beef Board (CBB), USDA and NCBA, some \$216,000 was returned to the fund in connection with these improprieties. However, this is clearly but the tip of the iceberg. It is most disturbing that the contract with NCBA was not summarily suspended pending further investigation.

In light of the above, the Organization for Competitive Markets brought together a significant number of checkoff-paying cattlemen from various states and organizations, forming the "Beef Checkoff Reform Taskforce." Members of this group pledged an additional \$1 per head checkoff to finance reform of the captured program. After initially considering litigation, the group decided to push for an audit by the USDA Office of Inspector General (Phyllis Fong). In February, an engagement letter between USDA and OIG was signed, initiating the audit.

An examination of NCBA's form 990 reveals that 80% of its total revenue is derived from the beef checkoff, with only 6% coming from membership

dues. These public IRS documents reveal other abuses which will undoubtedly be detailed in the final OIG report.

In addition to examining NCBA's handling of the cattlemen's money, indications are that the OIG will also take a look at the State Beef Councils (KLA). Certain state attorneys general are also showing interest in investigating the handling of these funds at their level. A clear picture is rapidly emerging that checkoff programs at both the national and state levels have run-amuck and are rife with malpractice.

In the meantime, NCBA, representing less than 4% of cattle producers, continues as the primary beef checkoff contractor and has a prominent seat at the table when ag policy is discussed. They have opposed cattle producer's interests at every turn.

They fought against cattle producers that supported country-of-origin labeling; against cattle producers seeking mandatory price reporting; against cattle producers that opposed the National Animal Identification System (NAIS); against cattle producers that supported captive supply reform in a major class-action lawsuit; against cattle producers that tried to prevent the premature reintroduction of imported cattle from disease-affected countries; against cattle producers that attempted to ban packer ownership of livestock in both the 2002 and 2008 Farm Bills; and, against cattle producers that support the pending Grain Inspection, Packers and Stockyards

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Son of a Farmer - Child of the Earth

BY RICHARD OSWALD

These days, when a young man or woman makes the decision to farm for a living, it's usually with the intention either to go with the flow or swim upstream against it. That's the way it is. Young farmers must use the focused power of agribusiness riding the current like a surfer snug in the curl or like salmon that preserve their species by opposing the current.

When I first heard of Eric Herm's book *Son of a Farmer, Child of the Earth* I was set to read a synopsis of Eric's first year in the curl. Most likely, I thought, the book would take us through the ag loan process at the local bank, discuss the high cost of commercial seed, and bemoan crude oil led prices of fuel and fertilizer.

I was wrong.

In this unforgiving climate of ever-bigger farms, beginning farmers are as endangered as wild salmon or Grizzly bears.

Eric points out that not even a conventional farmer is assured success. Simply owning a stable of large machinery and taking huge swaths across the land isn't foolproof, but Freedom to Farm, the



farm bill, made it easier for them and harder for the likes of Eric. Harder too for independent dairy and livestock growers who no longer own crop land enough to feed their animals as land and grain prices have risen sharply.

In this unforgiving climate of ever-bigger farms, beginning farmers

them if they get the chance.

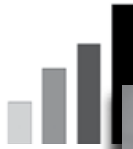
Having worked off the farm for a time, Eric had already developed a successful career. It was that experience that allowed him to perceive agriculture from a distance, a perspective those of us more closely positioned don't have.

Like blind men who feel the elephant, we who are already in the business only relate to the part nearest us. Eric has it all in focus. So his book is not solely about the struggles of Eric Herm, farmer, but about the corporate-driven form of agriculture and forgotten ethics of food.

Eric writes about soil erosion and genetically engineered seed and markets. He sees the elephant

are as endangered as wild salmon or Grizzly bears. Eric has as much in common with predators of salmon as with salmon themselves. There will always some willing to feed on young farmers, or skin

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PRESIDENT, COMSTOCK INVESTMENTS
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The National Pork Producers Council (NPPC) believes that hog producers have a birthright to buy cheap, below the cost of production, corn for feed. They never ever complained about farm subsidies keeping corn farmers producing burdensome stocks of corn, but have focused a lot of ire on ethanol subsidies that helped develop an industry that pays farmers what their corn should be worth, something the hog industry rarely did, so that farm subsidies can be eliminated. That was why farmers produced hogs, so that they would walk their corn off the farm at a profit.

In the 1980's and 90's we entered a period when there was no incentive from the market

to produce corn. Farmers literally lived off of farm subsidies. Hog producers could buy corn cheaper than they could raise it allowing commercial production to expand, eventually eliminating any advantage that farmer feeders who grew their own feed had over commercial producers who bought it.

Those were the old days before ethanol. It has been a hard adjustment for hog producers to make since. The NPPC suffers from selective subsidy revulsion. They want cheap corn so bad, the NPPC now wants the CRP reduced by 4-8 million acres. I was surprised. I would never have guessed that a sector of agriculture would ever be as blatantly self focused as the pork industry has revealed itself to be, to attack another sector of agriculture as they have corn growers. They want cheap corn and they could give a hoot about absolutely nothing else. . . U.S. energy security, the Midwest economy, pheasants, other farmers and so on ... The NPPC wants cheap corn and everybody and everything

else can go to heck.

The pork industry has evolved into a cold corporate self centered mentality that is only focused on what is good for "the industry." The people that used to produce the hogs, are almost all done with the industry ... and they should be, because that verse about gaining the world, but losing your soul applies to the NPPC today. Traditional values went the way of the traditional pork industry. When it restructured, it lost much of who and what it was.

There has not been a physical shortage of corn. In fact, the hog industry has continued to expand production despite the development of the ethanol industry as well as expand pork exports. What changed is that they can't steal corn below the cost of production anymore like they used to.

The pork industry today is structured so that pork has value while hogs do not, favoring integrated producers. If there were really any independent producers left, industry struc

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ture is the issue they would be most focused upon. The fact the industry is instead focused on ethanol is evidence the subjugation of independent hog producers is complete.

If the hog producers do not appear to care, then no one else will either. They think their problem is ethanol as they can no longer buy LDP subsidized corn below the cost of production. If you don't know what your problem is, it is very hard for anyone to help you. ^{DK}

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More information to follow.

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in the room. Farming is not so much about growing food as it is about selling something...anything...and profiting.

Growing food for hungry people is what Eric wants to do. His father has misgivings, probably because at one time some of Eric's viewpoints were his beliefs as well. His father may even have handed some of those thoughts off to the son as the boy turned slowly to ride with the rapids. Like any good father would, he watches, encourages, and probably prays for his son's success even though he may not himself believe success is possible.

Anyone who's ever tried to grow for local markets knows that big merchandisers are tough competitors. When Eric figures out how much he needs to sell his crop at a profit, the first thing he hears from buyers is that

they can get it cheaper from Cysco or Wal-Mart. That highlights part of the problem Eric faces. Food systems and lifestyles have been devised that make fast food mandatory. In this bustling world of dual working parents or single parent homes, who has time to search for ingredients or to cook?

Eric writes about water waste, herbs, earthworms, and HAARP, a device capable of altering weather that's controlled by our military. He worries about the consumer-driven economy of a country (ours) whose citizens consume more than any other people on earth. His beliefs are guided by his own conscience and intellect rather than peer pressure of neighbors and the government. Most of what Eric thinks about agriculture is tough for neighbors, conventional farmers, to accept.

Those of us who have built our lives and fortunes around such con-

ventional farming see peril for idealists who would change public perceptions in our world. We walk softly so as not to waken the giant truth, hoping to protect those like Eric. But we know truth just the same.

We were all young once.

As one of those formerly young people, I see Eric's youth in his writing. I remember the ideals my father shared with me, those I once held and shared with my own son. *Son of A Farmer, Child of the Earth* is a little bit of that sharing, a little bit of a reference book for those curious about anything to do with food, and a little bit about the endangered species, like Eric Herm, who go against the flow.^{RO}

Richard Oswald is a fifth generation Missouri farmer and the author of the Letter From Langdon in the Daily Yonder.



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Administration (GIPSA) rules that clarifies and defines how GIPSA will administer and enforce the Packers and Stockyards Act.

Forcing cattle producers to fund their opposition is unfair and must be

stopped. For 25 years now, USDA and CBB have given a wink and a nod to NCBA's transgressions. While there currently seems to be an inclination for reform of the program at both USDA and CBB, a satisfactory outcome is not assured. If there is to be independent cattle production in the future,

the Beef Promotion and Research Act of 1985 must either be reformed or terminated. We cannot continue to extract some \$80 million per year from cattle producers and have these funds used to hasten their demise.^{FS}



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