

This brief circular attempts to explain who pays into the National Beef Checkoff and why, along with describing the relationships among the Kansas Beef Council, Kansas Livestock Association and the Cattleman's Beef Promotion and Research Board.

### **THE BEEF CHECKOFF, WHO PAYS AND WHY**

Any discussion of the checkoff should begin with a description of both the Beef Research and Information Act, or the law which established the checkoff and the Beef Promotion and Research Order, or the rules by which the checkoff operates. Below is an excerpt from the beginning of the act.

BEEF RESEARCH AND INFORMATION ACT<sup>1</sup> 1  
(Beef Promotion and Research Act of 1985)  
(7 U.S.C. 2901-2911)

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.

**KEY POINT:** *The act was written and order created to assist "cattle producers."*

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be known as the "Beef Research and Information Act". (7 U.S.C. 2901 note.)

### CONGRESSIONAL FINDINGS AND DECLARATION OF POLICY

SEC. 2. (a) Congress finds that)

- (1) beef and beef products are basic foods that are a valuable part of human diet;
- (2) the production of beef and beef products plays a significant role in the Nation's economy, beef and beef products are produced by thousands of beef producers and processed by numerous processing entities, and beef and beef products are consumed by millions of people throughout the United States and foreign countries;
- (3) beef and beef products should be readily available and marketed efficiently to ensure that the people of the United States receive adequate nourishment;
- (4) the maintenance and expansion of existing markets for beef and beef products are vital to the welfare of beef producers and those concerned with marketing, using, and producing beef products, as well as to the general economy of the Nation;
- (5) there exist established State and national organizations conducting beef promotion, research, and consumer education programs that are invaluable to the efforts of promoting the consumption of beef and beef products; and

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<sup>1</sup> Pub. L. 94-294, 90 Stat. 529, May 28, 1976, as amended by Pub. L. 95-334, 92 Stat. 433, Aug. 4, 1978. Title XVI, Subtitle A, of the Food Security Act of 1985, Pub. L. 99-198, 99 Stat. 1597, Dec. 23, 1985, revised sections 2 through 20 (7 U.S.C. 2901-2918.) and Section 1601(a) provided: "This Section may be cited as the Beef Promotion and Research Act of 1985."

(6) beef and beef products move in interstate and foreign commerce, and beef and beef products that do not move in such channels of commerce directly burden or affect interstate commerce of beef and beef products.

(b) It, therefore, is declared to be the policy of Congress that it is in the public interest to authorize the establishment, through the exercise of the powers provided herein, of an orderly procedure for financing (through assessments on all cattle sold in the United States and on cattle, beef, and beef products imported into the United States) and carrying out a coordinated program of promotion and research designed to strengthen the beef industry's position in the marketplace and to maintain and expand domestic and foreign markets and uses for beef and beef products. Nothing in this Act shall be construed to limit the right of individual producers to raise cattle. (7 U.S.C. 2901.)

#### REQUIRED TERMS IN ORDERS

SEC. 5. An order issued under section 4(b) shall contain the following terms and conditions:

(8)(A) The order shall provide that each person making payment to a producer for cattle purchased from the producer shall, in the manner prescribed by the order, collect an assessment and remit the assessment to the Board. The Board shall use qualified State beef councils to collect such assessments.

(B) If an appropriate qualified State beef council does not exist to collect an assessment in accordance with paragraph (1), such assessment shall be collected by the Board.

(C) The order also shall provide that each importer of cattle, beef, or beef products shall pay an assessment, in the manner prescribed by the order, to the Board. The assessments shall be used for payment of the costs of plans and projects, as provided for in paragraph (4), and expenses in administering the order, including more administrative costs incurred by the Secretary after the order has been promulgated under this Act, and to establish a reasonable reserve. The rate of assessment prescribed by the order shall be one dollar per head of cattle, or the equivalent thereof in the case of imported beef and beef products. A producer who can establish that the producer is participating in a program of an established qualified State beef council shall receive credit, in determining the assessment due from such producer, for contributions to such program of up to 50 cents per head of cattle or the equivalent thereof. There shall be only one qualified State beef council in each State. Any person marketing from beef from cattle of the person's own production shall remit the assessment to the Board in the manner prescribed by the order.

**KEY POINTS:** *A one dollar assessment is levied on CATTLE SOLD, the money is to be sent in and managed by either the national board or to a qualifying and USDA approved State Beef Council. The State Beef Councils can then retain up to 50 cents of the assessment for use in state. Note: Often, State Beef Councils elect to forward a portion of the state's \$0.50 for use in National or urban promotions, in order to better reach consumers.*

*Examples:*

- 1) *I haul a 500 pound, weaned calf to an auction: The auction acts as a collecting person, collects the \$1/head assessment and submits it to a Qualifying State Beef Council (QSBC).*
  - a. *The above animal is purchased by a backgrounder, who grows the calf to 750 pounds and sells the calf at an auction: The auction acts as a collecting person, collects the \$1/head assessment and submits it to a QSBC.*
  - b. *The above animal is purchased by a feeder, which finishes the calf to 1250 pounds and sells the calf to a packer: The packer acts as a collecting person, collects the \$1/head assessment and submits it to a QSBC.*  
**ONE CALF . . . . THREE DOLLARS COLLECTED**
  
- 2) *I haul a 500 pound, weaned calf to an auction: The auction acts as a collecting person, collects the \$1/head assessment and submits it to a QSBC.*
  - a. *The above animal is purchased by a packer, who finishes the calf to 1250 pounds and "sells" the calf to themselves: The packer acts as a collecting person, collects the \$1/head assessment and submits it to a QSBC.*  
**ONE CALF . . . . TWO DOLLARS COLLECTED**
  
- 3) *I am a member of the Beef Verification Solution Program and PVP. I raise and retain ownership of a calf that I sell to a packer, grade and yield. I receive above market income for my quality animal along with a premium for delivering a source and age verified product. The packer acts as a collecting person, collects the \$1/head assessment and submits it to a QSBC.*  
**ONE CALF . . . . ONE DOLLAR COLLECTED**

**Question:** *Do packers pay the \$1/head assessment?*

**Answer:** *YES. They "collect" the assessment on all cattle they purchase and "pay" the assessment on all cattle they own.*

Title 7--Agriculture (the order)

CHAPTER XI--AGRICULTURAL MARKETING SERVICE (MARKETING AGREEMENTS AND ORDERS; MISCELLANEOUS COMMODITIES), DEPARTMENT OF AGRICULTURE

PART 1260--BEEF PROMOTION AND RESEARCH

**§ 1260.314 Certification of non-producer status for certain transactions.**

- (a) The assessment levied on each head of cattle sold shall not apply to cattle owned by a person:
  - (1) If the person certifies that the person's only share in the proceeds of a sale of cattle, beef, or beef products is a sales commission, handling fee or other service fee; or

- (2) If the person:
- (i) Certifies that the person acquired ownership of cattle to facilitate the transfer of ownership of such cattle from the seller to a third party,
  - (ii) Establishes that such cattle were resold not later than 10 days from the date on which the person acquired ownership; and
  - (iii) Certifies that the assessment levied upon the person from whom the person purchased the cattle, if an assessment was due, has been collected and has been remitted, or will be remitted in a timely fashion.
- (b) Each person seeking non-producer status pursuant to § 1260.116 shall provide the collecting person, on a form approved by the Board and the Secretary, with a Statement of Certification of Non-Producer Status at the time the collecting person makes payment to the seller of cattle, in lieu of the assessment that would otherwise be due, except as provided for in paragraphs (c) and (d) of this section.
- (c) When the seller of cattle is not physically present during a sales transaction in which the seller claims non-producer status, such seller shall deliver to the collecting person an original Statement of Certification of Non-Producer Status within 10 business days of the date the collecting person makes payment to the seller of the cattle.
- (d) If the collecting person is a brand inspector, as provided for in § 1260.311, the seller of cattle claiming non-producer status shall provide to the brand inspector at the time the physical brand inspection is completed, in lieu of the assessment that would otherwise be due, either: a Statement of Certification of Non-Producer Status or a valid brand inspection certificate which shows collection of the assessment by a brand inspector in a transaction which took place not more than 10 days prior to the sale of the cattle.
- (e) A copy of the Statement of Certification of Non-Producer Status shall be forwarded, upon request, by the collecting person to the qualified State beef council or the Cattlemen's Board.

[53 FR 5754, Feb. 26, 1988, as amended at 66 FR 26784, May 15, 2001]

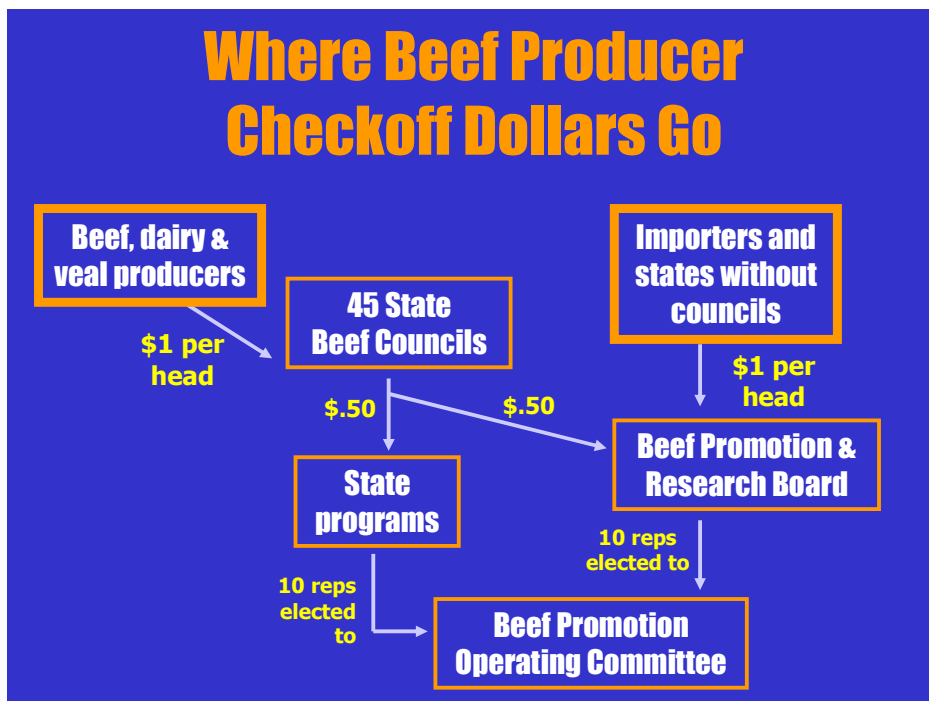
**KEY POINT:** *There is an exception for animals owned for a short period (10 days or less), with the rationale that these participants are NOT adding value to the animal, allowing those owners to avoid paying the assessment.*

Below is a short description of how checkoff funds are collected and spent, primarily obtained from the Cattlemen's Beef Board website.

<http://www.beefboard.org/Default.aspx>

**The national Beef Checkoff Program is financed** by a \$1 per head assessment on domestic sales of cattle and on imported cattle, beef, and beef products. The Board, as part of its responsibilities under the Act and Order, may certify no more than one Qualified State Beef Council (the "Council") in each state and authorize that Council to collect such assessments. The assessments are remitted to the Councils or the Board. The Board receives one-half of assessment monies from states with Councils and the Councils retain the remainder. The Board receives all assessment revenues from states

without Councils and from imported cattle, beef and beef products. Pursuant to the Beef Promotion and Research Act of 1985, the Board's expenditures for administration are limited to 5% or less of projected revenues. All remaining revenues are expended on programs related to promotion, research and information for the beef industry. None of the checkoff dollars can be used for lobbying or governmental influence, including passage of any proposed changes or enhancements to the existing Act. The Board contracts with established national beef industry-governed nonprofit organizations for the implementation and conduct of these programs. Under the terms of these contracts, the entities that receive Board contracts work on a "cost recovery" basis and are subject to annual audits and reviews.



**THE KANSAS BEEF COUNCIL**

**Checkoff and KBC Timeline**

- 1922 – The National Live Stock & Meat Board (NLS & MB) was founded to conduct meat promotion, research and education efforts funded by a voluntary, \$0.05 cents per carload (25 head) checkoff, collected from livestock producers and voluntarily matched by packers.
- 1930 – Voluntary checkoff increased to \$0.25 cents per carload (1 cent per head), again with the money being sent to the NLS & MB.
- 1953 – Voluntary checkoff increased to \$0.02 cents per head.
- 1962 – Voluntary checkoff increased to \$0.03 cents per head.
- 1973 – Kansas Livestock Association (KLA) approved guidelines, agreement of understanding and budget for Kansas Beef Promotion Council (KBPC).

- 1974 – KBPC operational with a voluntary checkoff of \$0.10 per head.
- 1985 – Beef Research and Information **Act** of 1985 is passed through the U.S. Congress as part of the Farm Bill, creating a mandatory beef checkoff program with an assessment of \$1.00 per head.
- 1986 – Beef Promotion and Research **Order** created by USDA.
- 1986 – KBPC, an organization of the Kansas Livestock Association, is approved by USDA as a Qualified State Beef Council and renamed the KANSAS BEEF COUNCIL.
- 1988 – Cattle producers approve continuation of the Beef Checkoff in a national referendum.
- 1996 – The National Cattlemen’s Beef Association is formed from a merger of the National Cattlemen’s Association and the Beef Industry Council of the National Live Stock and Meat Board.

Paragraph 1 of the KBC by-laws states that, “the name of the organization is the Kansas Beef Council (KBC). It shall act as the beef promotion branch of the Kansas Livestock Association, Inc. (KLA) and shall operate as a separate and segregated entity.”

**KEY POINT:** *Today’s Kansas Beef Council was created by the Kansas Livestock Association, was promoting beef, beef products and the beef industry, and was collecting checkoff funds, all prior to the 1985 Act and Order; and like many other state beef councils, was written into the 1985 Beef Research and Information Act as a potential checkoff collecting entity.*

### **KBC Executive Committee Membership**

Kansas Beef Council by-laws state that, the Executive committee of the Kansas Beef Council shall consist of the following members:

- 1) Eight council members appointed by the KLA President and approved by the KLA Board of Directors.
  - (7) Michael David, Jon Ferguson, Mark Harms, Brittany Howell, Derek Martin, Larry Martin, Ron Estes and one open.
- 2) The KLA President, KLA President-Elect, Kansas CattleWomen President, and the Kansas CattleWomen President-Elect.
  - (4) David Cross, Tracy Brunner, Elisa Stone and Carrie Edmonds.
- 3) Any Kansas member of the Cattlemen’s Beef Promotion and Research Board.
  - (7) Jerry Bohn, Terry Handke, Dana Hauck, Don Hullman, Dan Kerschen, Ken Stielow and Glenda Flora.
- 4) Any Kansas member of the National Cattlemen’s Beef Association checkoff division.
  - (8) Todd Allen, Chris Burris, Lori Fink, Frank Harper, Steve Hunt, Larry Jones, Andrew Murphy and Tom Toll.