

Date: June 13, 2011

To: David Dick, Chair, Federation of State Beef Councils
Craig Uden, Vice Chair, Federation of State Beef Councils

From: Tom Jones, Chair, Cattlemen's Beef Board
Wesley Grau, Chair, CBB Executive Committee

Subject: **Federation Comments Regarding CBB's Roles & Responsibilities Report**

After reading the Federation's submitted comments regarding the Roles & Responsibilities report carefully, we are concerned that the Federation may have significantly misinterpreted the intent and purpose of both the Roles & Responsibilities Committee and the CBB Executive Committee. We wish to explain our process as we consider the Cattlemen's Beef Board's roles and responsibilities, as well as clarify several areas of concern for the Federation, in a spirit of transparency and cooperation for the future of the checkoff.

One of your first comments is that the Roles & Responsibilities Report is "vague." Many of your subsequent comments say the report "can be read to," which would imply that you acknowledge there are multiple ways to interpret the report at this point in time. You say that this "serves no one well and opens the door to abuse," but we disagree. The report was written to introduce new ideas for future structure and function of the CBB, similar to a model NCBA used while working on its Governance Task Force.

Let us explain: when NCBA's own Governance Task Force was in the first few months of the nearly two-year process of developing a new structure for NCBA, the group's first step was to bring a list of tenets, or guiding ideas, before the NCBA leadership for review and agreement, as a "gut check" to make sure the GTF was headed in the right direction. You'll remember that the group took that list of tenets to the NCBA Board during the 2009 summer conference. Then (and only then) was a definitive structure developed by the GTF, a process that took an additional year from the approval of that first list of tenets. The Executive Committee is working in a very similar way to the GTF. First, the EC hopes to gain some agreement on basic philosophies about what the CBB should, and shouldn't, take responsibility for when it comes to administration of the beef checkoff. That is the purpose of the Roles & Responsibilities Report—to identify those general philosophies so that a taskforce of the Board can then move forward with the assignment of developing a more specific structure in coordination with state beef councils, the Federation and industry organizations.

Like your process, there have been some concerns expressed about some of the recommendations presented. Since we have no wish to move forward without the agreement of our Board, once these concerns were expressed, we determined that a full discussion of our Board was critical to our subsequent work—so we scheduled that discussion during summer conference. We also solicited input from state beef councils and industry organizations to help us identify the issues which need to be considered during that discussion. Any attempt at this

point to address specific issues about the structure or decisions that may be made sometime in the future is premature—much like it would have been premature at the first report of your Governance Task Force.

That said, we would like to address several areas of concern expressed by the Federation that are apparently based on assumptions about the intent of the R&R report that are simply incorrect. Because many of these concerns are repeatedly stated throughout the Federation’s comments, we will attempt to address them according to each category for the sake of brevity.

First, the Federation states the CBB “wishes to have its own strategic and annual plan, with its own priorities.” Actually, the CBB Executive Committee recommended that CBB have checkoff plans of work, both short- and long-range, with all participating organizations accountable to that plan. It is a natural fit for CBB to manage such a plan. The current industry Long Range Plan covers more than checkoff appropriate work and does not hold any organization accountable to its measures. The current annual plan emphasizes NCBA’s organizational goals as primary goals for the checkoff because NCBA manages the process.

Second, the Federation states that CBB has “unilaterally withdrawn” from the joint committee process and is not participating in the process at the current time (pages 3, 4, 5, 6 of your eight-page document). This is incorrect. In fact, CBB’s representatives took part in numerous joint committee meetings within the past five months, alongside both Federation and policy representatives, so this characterization is confusing to us. The Federation’s comments specifically state CBB has “on its own initiative and without approval of the Operating Committee...terminated” the Evaluation Committee, even though CBB was present and engaged in the Joint Evaluation Advisory Committee meeting in May. Since the chair and vice chair of the Federation (both signers of the Federation’s comment letter) are members of that committee and were present for the meeting, their statement that CBB has disbanded the committee is misleading.

In addition, CBB program committee members participated in a planning conference call in May, the Joint Industry Budget Committee in June, and joint program committees at the 2011 convention. This was after NCBA and CBB, working together, agreed to continue the joint committee process as CBB determines the basis for a new agreement with NCBA. Clearly, from repeated joint-committee experiences shared by CBB and the Federation in recent weeks and months, the Federation’s statement that CBB has “unilaterally withdrawn” from participation in joint committees is inaccurate.

Third, the Federation’s comments suggest that CBB is either trying to micro-manage or take over the work of state beef councils, or trying to take over all checkoff work, including that done by state beef councils. Nothing could be further from our intent. In fact, we agree

wholeheartedly with your statement “QSBCs are ... in the best possible position to determine where and how their portion of the checkoff can be spent...”

CBB members and staff have an enormous amount of respect for the state beef councils, and have worked alongside them as partners for the entirety of the checkoff, doing work like collections and compliance that the Federation cannot do. CBB does, however, have federally assigned administrative oversight over the “whole dollar,” which clearly includes that dollar spent in-state by our partners at state beef councils. As one example, while the R&R report asks questions about how state beef councils evaluate programs, the report does not state, and we do not intend to perform program evaluations for them, or to manage a detailed evaluation process that reaches into states, or to compare programs or budgets state-to-state as the Federation’s comments suggest.

CBB has within its purview, however, the responsibility to ask for an accounting of how checkoff dollars are being spent, and how state beef council work is being evaluated at the state level, for “whole dollar” efficiency, as well as for those programs funded and administered solely by the Federation, which the Operating Committee does not necessarily see and does not approve. It is simply unclear to us at this time how the Federation is evaluating their programs (since the Joint Evaluation Committee does not see or review Federation programs), and how state beef councils are evaluating the effectiveness and efficiency of their work. We do not wish to perform the evaluations on state beef councils; we only wish to understand how that is being done.

Further, the Federation’s comments imply that CBB is trying to force state beef councils to ascribe to the *AMS Guidelines for Commodity Programs*. We are at a loss to determine how the Federation interpreted this from the R&R report. That interpretation is inaccurate, as AMS has assured both CBB and the Federation that the Guidelines do not apply to state beef councils.

Fourth, the Federation’s comments rise adamantly in defense of the current NCBA program staff. The sheer passion of the response contained in your comments leads us to fear that NCBA believes its staff has been condemned by CBB in some way. We wish to explicitly rectify this impression. Without reservation, we agree – and have voiced repeatedly – that NCBA’s checkoff program staff is “highly skilled, devoted, innovative, ethical and informed.” We have the pleasure of knowing the staff personally as well as professionally, and working with staff members daily. We have an extremely high degree of respect for them as professionals, and for their personal dedication to the industry. It is most certainly an improper interpretation of the R&R report to assume that questions asked about the structure and function of the Cattlemen’s Beef Board somehow translate into any criticism of the quality or expertise of your program staff, and we unequivocally support the program staff and the work they do for the checkoff.

We have addressed a few of the concerns stated in the Federation's comments here. Again, we did not address the concerns you raise point-by-point because right now, much like at the very first stage of the Governance Task Force, it is extremely premature to be discussing or debating specifics of any structure or plan that the producers and importers of CBB may develop. We have asked for input from various industry organizations, including NCBA and the Federation, so our leaders could thoroughly understand the industry's suggestions and concerns regarding CBB's roles within the checkoff and the industry, and the direction recommended by the Executive Committee through the R&R report. Then, and only then, will CBB continue in whatever manner the CBB members deem appropriate. This discussion will continue, and perhaps subsequent action will be taken, at the summer conference.

We thank the Federation for your engagement in CBB's Roles & Responsibilities process. Without a doubt, you performed "situational planning" by abstracting some of the possible ways the ideas within the report might be actualized, and you expressed concern with some of your resulting theoretical situations. We recognize that this took a significant amount of time and effort on your part and shows a high level of investment in the future of the checkoff, and of CBB. For this, we are grateful to you. We look forward to future discussions with the Federation as the process advances and decisions are made about the actual and specific structure and function of the CBB.

cc: CBB members
USDA/AMS
State Beef Councils