



IT'S ABOUT  
**BEEF DEMAND**

**BEEF**



2004 Beef Board Annual Report



**Dear Fellow Producers:**

We've had a busy year in the beef industry, for sure, but despite some of the biggest challenges we'll ever face, it was a year brimming with success stories for the beef industry and your Beef Checkoff Program, as well. Consumer demand continued to grow by leaps and bounds, restaurants beefed up their menus with new products developed through the checkoff program, and producers enjoyed some of the best prices ever for their cattle — all in a year that started off on a daunting, if not downright depressing, note.

When we got word that a case of BSE had been identified in the U.S. on Dec. 23, 2003, we were stunned, of course, but knew we had to act. Although we were confident that our industry had taken the precautionary steps to assure that BSE could not become a public-health threat in this country, we knew it was going to be a formidable task to communicate that message effectively to consumers whose only previous exposure to the disease was from televised stories of the extreme experiences in the UK a few years earlier. But through the Beef Board, NCBA put your checkoff dollars to work managing this issue, via research, consumer and industry information, foreign marketing, producer communications, and even promotion, to get accurate information about BSE to consumers, producers, media representatives, retailers, educators, foodservice representatives, and the like.

The end result was increased consumer confidence in the safety of U.S. beef. In fact, surveys indicated that about 91 percent of U.S. consumers remained confident that their beef was safe from BSE in January 2004, just a month after the BSE case. At the close of the fiscal year in September 2004, that confidence level was still above 90 percent. And as borders across the globe continue to reopen to U.S. beef, your checkoff dollars are being invested in foreign-marketing efforts to start boosting export levels back to previous highs.

At the same time, we continue to invest in a full range of other activities aimed at growing consumer demand for beef and increasing profit opportunities for producers. Since demand turned the corner about six years ago, we have experienced growth of more than 20 percent, as the checkoff helped introduce more than 2,100 new beef products to the market, leveraged checkoff dollars via partnerships with foodservice chains, continued research efforts to maintain a safe beef supply, and built opportunities to educate teachers, consumers and youth about the benefits of beef as part of a nutritious diet. In this annual report, you'll get more details about those programs, in addition to a host of other checkoff success stories from 2004.

I have been proud to serve as your chairman of the Beef Board during the last year and am so impressed at how many producers and importers are willing to volunteer their time on the Beef Board and state beef councils to identify new ways to continue building demand for your product. And after all, a rising tide lifts all boats — so if demand remains strong, we're better off as producers than we would be otherwise, regardless of other market fluctuations out of our control.

With warm regards,

Nelson Curry  
Producer, Paris, KY  
2004 Chairman, Cattlemen's Beef  
Promotion & Research Board



**From left: CBB Chairman Nelson Curry; Vice Chairman Al Svajgr; Secretary/Treasurer Jay O'Brien and CBB Chief Operating Officer Monte Reese**

# 2004 Beef Board Members

## 2004 BEEF BOARD MEMBERS

Beef Board members are nominated by fellow producers in their respective states or regions. The U.S. Secretary of Agriculture appoints producers to the board from those nominations, and the U.S. Department of Agriculture oversees the Board. Each board member serves a three-year term and may serve a second consecutive term if reappointed, and does so without compensation. In 2004, Beef Board members represented 11 different sectors of the beef industry, with the biggest sector being cow-calf, followed by feeder, stocker and dairy. There are no packer seats on the Beef Board.

### Alabama



Wayne Thames  
Evergreen, AL

### Arizona



Jim Webb  
Phoenix, AZ

### Arkansas



Leland Jackson  
Ash Flat, AR



Jack Thomas  
Danville, AR

### California



David Albers  
Bakersfield, CA



Paul Cameron  
Brawley, CA



Dr. Jack Cowley  
Montague, CA



Dee Lacey  
Paso Robles, CA

### California



Dick Nock  
San Luis Obispo, CA

### Colorado



Carlyle Currier  
Molina, CO



Mike Thoren  
Boulder, CO



Wade Zimmerman  
Sugar City, CO

### Florida



Kay Richardson  
Evinston, FL



Andy Tucker, Jr.  
Rockledge, FL



Carl Crabtree  
Grangeville, ID



Jim Little  
Emmett, ID

### Illinois



David Bateman  
Oregon, IL



Richard H. Atkinson  
Ponte Vedra Beach, FL



Greg L. Benedict  
Alexandria, MN



Laurie Bryant  
Arlington, VA



Andrew N. Burt  
McLean, VA



Kim Holzner  
Washington, D.C.



Mitchell Pincus  
Westfield, NJ



Greg E. Silpe  
Simsbury, CT

### Importers

### Importers



Matt D. Wineinger  
Benton, KS

### Indiana



Dr. Om Sharma  
Williamsport, IN



Bill Carroll  
Central City, IA



Mike Cline  
Elgin, IA



Bill Scheitler  
LeMars, IA



Stanley Zylstra  
Hull, IA



Richard Benoit  
Damar, KS



Tracy Brunner  
Ramona, KS

### Iowa

### Kansas



Ronald Estes  
Atchison, KS



Don Hullman  
Pratt, KS



Connie Kuhlman  
Jetmore, KS



Ken Stielow  
Paradise, KS



Howard Woodbury  
Quenemo, KS

### Kentucky



Nelson Curry II  
Paris, KY



Charles Miller  
Nicholasville, KY

### Louisiana



T.B. Porter  
Leesville, LA

**Michigan**



Chuck Markley  
Byron, MI

**Mid Atlantic**



Quilly Ward  
Lost Creek, WV

**Minnesota**



Doug Dickmann  
Pierz, MN



Jon Gorder  
Canby, MN



Greg Hilgeman  
Oklee, MN

**Mississippi**



Charles Hull  
Vaiden, MS

**Missouri**



Loretta Broderick  
Plattsburg, MO



Benny Farrell  
Maryville, MO

**Missouri**



Jerry King  
Butler, MO



Tom Sites  
Blackwater, MO

**Montana**



Jim Almond  
Billings, MT



Larry Descheemaeker  
Lewistown, MT



Carol Mosher  
Augusta, MT

**Nebraska**



Shari Flaming  
Paxton, NE



Norman Guenther  
Crofton, NE



David McCracken  
Friend, NE

**Nebraska**



John McFadden  
Taylor, NE



Nancy Meyring  
Alliance, NE



Bill Rishel  
North Platte, NE



Alan Svajgr  
Cozad, NE

**Nevada**



Steven Lucas  
Paradise Valley, NV

**New Mexico**



Margie McKeen  
Glenwood, NM



Pat Woods  
Broadview, NM



Rob Howland  
Candor, NY

**Northeast**



Lucinda Williams  
Hatfield, MA

**Northwest**



Joan Harder  
Ritzville, WA

**North Carolina**



Mark Pendleton  
Lawsonville, NC

**North Dakota**



Jon Erickson  
Minot, ND

**Ohio**



Theresa Tokach  
Mandan, ND

**Ohio**



Joe Foster  
Gallipolis, OH

**Oklahoma**



David Boyer  
Webbers Falls, OK



Mike Brooks  
Ringling, OK

**Oklahoma**



Lisa Hefner  
Seminole, OK



Roger Kite  
Sulphur, OK



Terry Wyatt  
Hollister, OK

**Oregon**



Peggy Biaggi  
Merrill, OR

**Pennsylvania**



Rita McConnell  
Cecil, PA



Randy Meabon  
Wattsburg, PA

**South Dakota**



Ed Blair  
Vale, SD



Pat Blum  
Reliance, SD

**South Dakota**



Shorty Jones  
Midland, SD



Gary Sharp  
Bath, SD

**Southeast Region**



Harvey Lemmon  
Woodbury, GA



Jenny Senn  
Silverstreet, SC

**Tennessee**



Mac Pate  
Maryville, TN



Stephen Worley  
Hampshire, TN

**Texas**



Verlin Callahan  
Austin, TX



Robert Carter  
Plainview, TX

Texas



Pete Case  
Eldorado, TX



John Cook  
Nixon, TX



Herff Cornelius, Jr.  
Wadsworth, TX



Vera Harrington  
Sulphur Springs, TX



Hope Huffman  
McGregor, TX



Chuck Kiker III  
Beaumont, TX



Walter Lasley  
Stratford, TX



Jay O'Brien  
Amarillo, TX

Texas



Sugie Sartwelle  
Sealy, TX



Dr. Dick Sherron  
Beaumont, TX



Linda Joy Stovall  
El Campo, TX



Carlyn Walker  
Mirando City, TX

Utah



Rich Nielson  
Ephraim, UT

Virginia



Jerry Burner  
Luray, VA



Bill McKinnon  
Christiansburg, VA

Wisconsin



Bill Ehrke  
Ft. Atkinson, WI

Wisconsin



Mark Riechers  
Darlington, WI



Nancy Thomas  
Cobb, WI

Wyoming



Dianne Kirkbride  
Cheyenne, WY



Dave True  
Casper, WY



**Cattlemen's Beef Promotion and Research Board — Executive Committee**  
 Front Row, L-R, Beef Board Chief Financial Officer Tom Ramey; Chairman Nelson Curry, KY; Vice Chairman Al Svajgr, NE; Secretary/Treasurer Jay O'Brien, TX; Chief Operating Officer Monte Reese; and Kenny Payne, USDA Agricultural Marketing Services. Back Row, L-R, CBB Executive Committee members Pat Woods, NM; Mike Cline, IA; Charles Miller, KY; Jim Little, ID; Kay Richardson, FL; Mike Brooks, OK; Laurie Bryant, importer; and Gary Sharp, SD. Not Pictured: Andy Tucker, Ex-Officio, FL

## PRODUCER COMMITMENT

*Beef producers who volunteer their service on the Cattlemen's Beef Board help determine how checkoff dollars are invested through their participation in committee decisions and advisory committee discussions. Listed below are the Beef Board committees and the joint industry advisory committees on which Beef Board members served in Fiscal 2004.*

### **BEEF PROMOTION OPERATING COMMITTEE**

Nelson Curry, KY, Chair; Al Svajgr, NE; Jay O'Brien, TX; Dave Bateman, IL; Tracy Brunner, KS; Lisa Hefner, OK; Ken Stielow, KS; Linda Joy Stovall, TX; Dave True, WY; Stan Zylstra, IA

### **CBB EXECUTIVE COMMITTEE**

Al Svajgr, NE, Chair; Nelson Curry, KY; Jay O'Brien, TX; Mike Brooks, OK; Laurie Bryant, Imp.; Mike Cline, IA; Jim Little, ID; Charles Miller, KY; Kay Richardson, FL; Gary Sharp, SD; Pat Woods, NM; Andy Tucker, FL, Ex-Officio

### **CBB AUDIT COMMITTEE**

Richard Benoit, KS, Chair; Laurie Bryant, Imp., V. Chair; Benny Farrell, MO; Greg P. Hilgeman, MN; Rob Howland, NY; Bill Rishel, NE; Dick Sherron, TX; Wayne Thames, AL; Theresa E. Tokach, ND; Stanley Zylstra, IA

### **CBB ADMINISTRATION SUBCOMMITTEE**

Joan Harder, WA, Chair; Charles Miller, KY, V. Chair; Dave Bateman, IL; Pat Blum, SD; Randy Meabon, PA; Kay Richardson, FL; Bill Rishel, NE; Gary Sharp, SD; Tom Sites, MO

### **JOINT GLOBAL CONSUMER MARKETING GROUP**

Al Svajgr, NE, Chair; Lisa Hefner, OK, Vice Chair

### **JOINT ADVERTISING COMMITTEE**

Richard Atkinson, Imp.; Jon Erickson, ND; Ron Estes, KS; Jon Gorder, MN; Connie Kuhlman, KS; Dave McCracken, NE; Walter (Mac) Pate, TN; Ken Stielow, KS; Linda Joy Stovall, TX

### **JOINT FOODSERVICE COMMITTEE**

Laurie Bryant, Imp., V. Chair; Jerry Burner, VA; Larry Descheemaeker, MT; Doug Dickmann, MN; Kim Holzner, Imp.; Rob Howland, NY; Mike Thoren, CO

### **JOINT NEW PRODUCT & CULINARY INITIATIVES COMMITTEE**

Tracy Brunner, KS, Chair; Hope Huffman, TX, V. Chair; Shari Flaming, NE; Dianne Kirkbride, WY; John McFadden, NE; Randy Meabon, PA; Mark Pendleton, NC; Carllyn Walker, TX

### **JOINT RETAIL COMMITTEE**

Terry Wyatt, OK, V. Chair; Richard Benoit, KS; Loretta Broderick, MO; Steve Lucas, NV; Nancy Meyring, NE; Carol Mosher, MT; Greg Silpe, Imp.; Theresa Tokach, ND; Matt Wineinger, Imp.

### **JOINT VEAL COMMITTEE**

Bill Ehrke, WI

### **JOINT INTERNATIONAL MARKETS COMMITTEE**

Mike Brooks, OK, V. Chair; Jim Almond, MT; Ed Blair, SD; Paul Cameron, CA; Benny Farrell, MO; Harvey Lemmon, GA; Bill Scheitler, IA; Jim Webb, AZ; Stanley Zylstra, IA

### **JOINT PUBLIC OPINION & ISSUES MANAGEMENT GROUP**

Jay O'Brien, TX - V. Chair

### **JOINT INFORMATION COMMITTEE**

Jim Little, ID, Chair; Dave Bateman, IL, V. Chair

### **JOINT PUBLIC RELATIONS SUBCOMMITTEE**

Pete Case, TX; Roger Kite, OK; Rita McConnell, PA; Bill McKinnon, VA; Jenny Senn, SC; Jack Thomas, AR

### **JOINT ISSUES MANAGEMENT SUBCOMMITTEE**

Andrew Burt, Imp.; Carlyle Currier, CO; Charles Miller, KY; Dave True, WY; Lucinda Williams, MA

### **JOINT YOUTH EDUCATION & INFORMATION SUBCOMMITTEE**

Gary Sharp, SD, Chair; Joan Harder, WA; Vera Harrington, TX; Chuck Markley, MI; Margie McKeen, NM; Mitchell Pincus, Imp.

### **JOINT NUTRITION & HEALTH COMMITTEE**

Wade Zimmerman, CO, Chair

### **JOINT FOOD & NUTRITION ISSUES SUBCOMMITTEE**

Mike Cline, IA, Chair; Verlin Callahan, TX; Robert Carter, TX; Walter Lasley, TX



**JOINT HEALTH PROFESSIONAL INFLUENCERS SUBCOMMITTEE**

Om Sharma, IN, Chair; Chuck Kiker III, TX; T.B. Porter, LA

**JOINT PRODUCT ENHANCEMENT COMMITTEE**

Bill Rishel, NE, Vice Chair; Peggy Biaggi, OR; John Cook, TX; Norman Guenther NE; Howard Woodbury, KS; Pat Woods, NM

**JOINT BEEF SAFETY COMMITTEE**

Greg Benedict, Imp.; David Boyer, OK; Bill Carroll, IA; Herff Cornelius, Jr., TX; Don Hullman, KS; Leland Jackson, AR; Ralph (Shorty) Jones, SD; Kay Richardson, FL; Mark Riechers, WI; Quilly Ward, WV

**JOINT HUMAN NUTRITION RESEARCH COMMITTEE**

Dick Sherron, TX, Chair; Greg Hilgeman, MN, V. Chair; Jack Cowley, CA; Jerry King, MO; Tom Sites, MO; Stephen Worley, TN

**JOINT INDUSTRY & PRODUCER SERVICES GROUP**

Andy Tucker, FL, V. Chair

**JOINT PRODUCER COMMUNICATIONS COMMITTEE**

Lavinia "Sugie" Sartwelle, TX, V. Chair; Pat Blum, SD; Joe Foster, OH; Charlie Hull, MS; Dee Lacey, CA; Richard Nielson, UT; Dick Nock, CA; Wayne Thames, AL; Nancy Thomas, WI

**JOINT PRODUCER EDUCATION COMMITTEE**

Carl Crabtree, ID, V. Chair; David Albers, CA

**JOINT AUDIT COMMITTEE**

Richard Benoit, KS

**JOINT INDUSTRY BUDGET COMMITTEE**

Jim Little, ID, V. Chair; Ken Stielow, KS; Dave True, WY; Wade Zimmerman, CO; Jay O'Brien, TX - Ex-Officio

**JOINT EVALUATION COMMITTEE**

Stephen Worley, TN, Chair; Dave Bateman, IL; Andrew Burt, Imp.; Carl Crabtree, ID

**MARK OF QUALITY COMMISSION**

Shari Flaming, NE; Hope Huffman, TX; Dianne Kirkbride, WY



## IT'S ABOUT BEEF DEMAND

If consumer demand for a product grows, then the producers of that product are better off than they would be otherwise.

Before producers voted 79 percent in favor of a mandatory \$1-per-head national checkoff program in 1988, they said in two separate producer surveys that they wanted a program to build consumer demand for beef and, as a result, increase their opportunities for profit. Some 17 years later, the Beef Checkoff Program remains solidly and solely focused on those priorities, as it endeavors to serve as a catalyst for change.

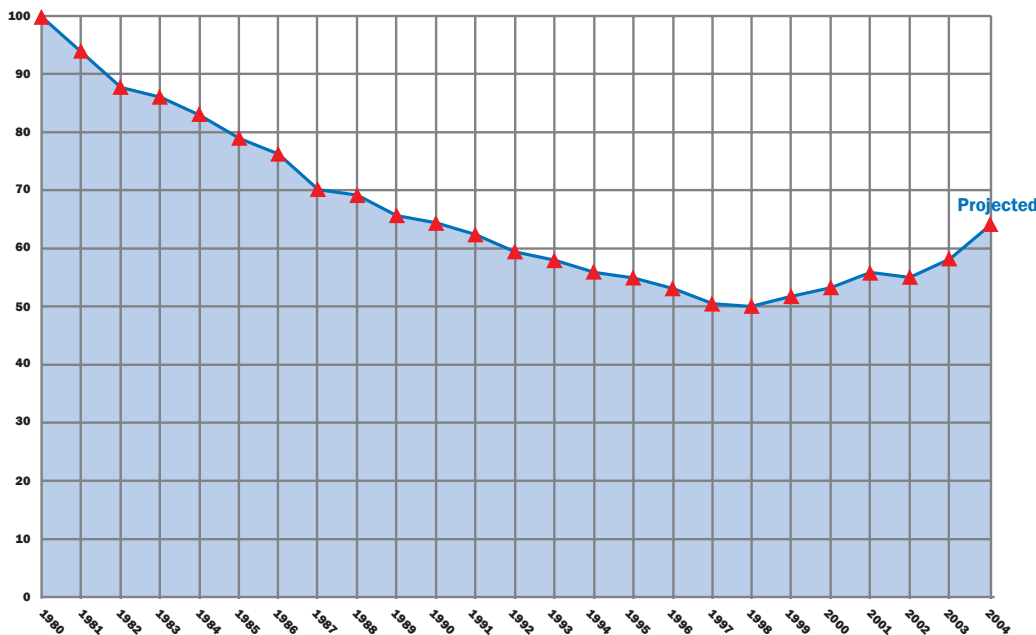
At the very crux of the checkoff program is the certainty that if consumer demand for a product grows, then the producers of that product are better off than they would be otherwise — regardless of other economic and political factors that might be out of their control. So even when supplies, the economy, or the political climate is not favorable for beef, for example, producers are at least better off if demand for their product is increasing than they would be if it was not.

It's important to remember, too, that the Beef Demand Index that ag economist Dr. Wayne Purcell of Virginia Tech uses to track trends in demand is a measure not just of consumption but of both consumption and price — in other words, how much beef consumers are willing to buy *at what price*. Certainly supply plays an important role in determining prices producers receive: As we have seen, for example, prices improve faster when supplies decline — if we can increase demand.

And the news about beef demand is good. In fact, demand for beef skyrocketed by more than 16 percent between 1998 and 2003 and continued its upward climb in 2004, despite a host of challenges in the beef industry's path. The Beef Demand Index here illustrates the

rebound of the last few years, on the heels of nearly 20 years of decline.

**Annual Beef Demand Index**



On the following pages, you'll get a glimpse of the demand-building programs funded through the beef checkoff during Fiscal 2004 — from advertising to new product development to beef-safety research to issues management to youth education and foodservice partnerships that leveraged \$68 from partners for every checkoff dollar invested. In the end, it's about improving profit opportunities for producers. It's about beef demand.

## PROMOTION

### Consumer Advertising

Award-winning checkoff enjoyment advertising is indeed fueling the passion consumers have for beef. Fifty-one percent of consumers who have not seen the ads say “beef is expensive, but worth it,” while that number goes up to 62 percent for those who have seen the ads, indicating they are more likely to be loyal to beef when prices are high or news is negative.

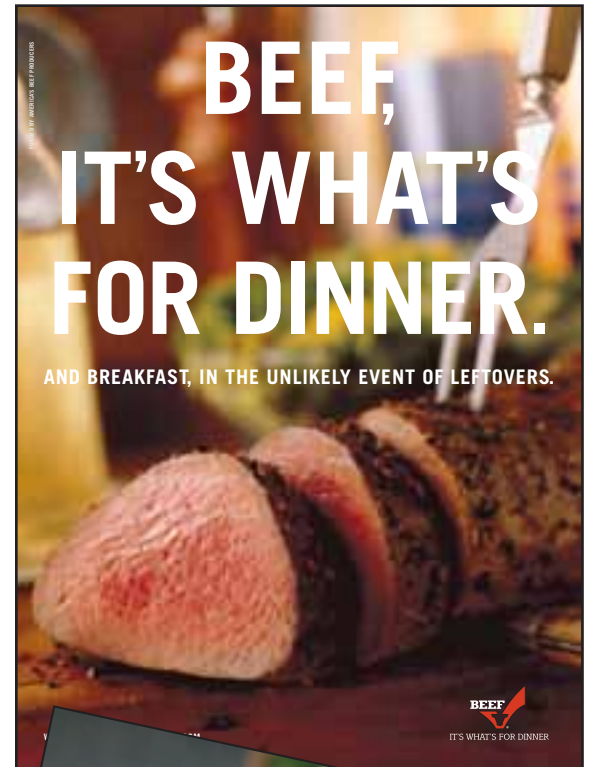
Checkoff advertising is also setting the record straight about beef’s nutritional profile. Ad tracking results are exceptional, and show significant improvement in consumer attitudes after exposure to the ads. Thirty-five percent of those that have not seen the ads say “beef is more nutritious than other types of meat,” while an astounding 58 percent of those who have seen the ads agree – an increase of 23 points!

### Summer Grilling Promotion

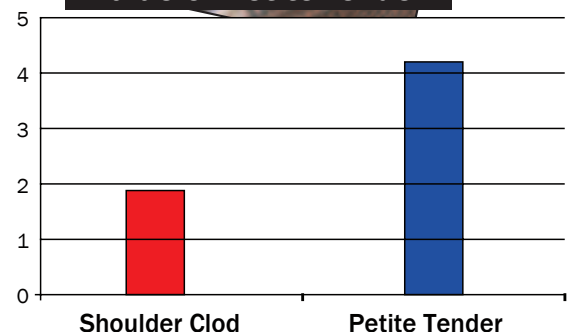
Checkoff dollars funded an extensive Summer Grilling Promotion in 2004. The national campaign, which encouraged retailers to feature beef during summer’s popular grilling months, was executed with leading retailers in 45 major markets, reaching more than 50 percent of the checkoff’s target audience. Employing the popular “Beef It’s What’s For Dinner” tagline and simultaneously celebrating the 100th birthday of the hamburger, the Summer Grilling Promotion also garnered more than 1.3 million trade media impressions.

### New Shoulder Cuts

Checkoff-funded new product marketing efforts have brought new cuts from the shoulder (Petite Tender, Flat Iron and Ranch Cut Steak) to restaurant menus nationwide. In the fall of 2002, the first major beef packer/processor began harvesting small quantities of this muscle from the shoulder clod subprimal, and by the summer of 2004, all major packer/processors were harvesting this muscle! The Petite Tender was introduced and well accepted by several national restaurant chains in 2004 because of its flavor, tenderness and versatility. Popularity of the Petite Tender is so strong that it has increased the value received for this cut from approximately \$1.25 per pound when still part of the larger multi-muscle subprimal, to close to \$3 per pound when harvested and sold separately. The increased value from this new cut alone is more than \$2.25 per head.



**Value of Petite Tender**



More than 500 new beef products were introduced in 2004.



2003 National Beef Cook-off®  
Grand Prize Winner - Lori Welander.

## New Product Development

Checkoff-funded efforts continue to drive innovation with manufacturers and processors. We continue to see the number of new beef product introductions increase as consumers demand more flavorful, nutritious and convenient beef options. More than 500 new beef products were introduced in retail and foodservice arenas in 2003, and 2004 kept pace, as consumer-branded manufacturers continued to launch new and improved beef entrees and snacks. The checkoff's R&D Ranch® team continues to work as a catalyst for beef and veal product innovation, helping drive demand and satisfy consumers' craving for beef.

## Foodservice

Checkoff-funded "BEEF FLEXIBLE" foodservice advertising garnered positive results from trade professionals, with ads scoring high, new beef cuts featured in the ads rated as "chic," and a tremendous number of foodservice chains responding by increasing their beef menu variety. In addition, the checkoff funded a training seminar with the Culinary Center of America whereby 35 chefs from leading restaurants and beef suppliers worked with new Beef Value Cuts from the chuck and round.

Nine national and regional foodservice partnerships with restaurant chains leveraged relatively minimal checkoff dollars with tens of millions of foodservice dollars to increase the number of beef items on restaurant menus and to sell millions of pounds of beef via special promotions by Domino's, RAM, Aramark, Ground Round, Quaker Steak & Lube, B.F. Saul, Pizza Ranch, Stuart Anderson's and Quizno's. In fact, between 2001 and 2004, the Beef Checkoff Program leveraged cattlemen's investments via more than 20 promotions with national foodservice restaurant chains. And where the checkoff invested a total of \$1.4 million, foodservice partners invested more than \$95.7 million in those promotions — a ratio of 68 foodservice company dollars to every checkoff dollar!

## National Beef Cook-Off®

The biannual National Beef Cook-off®, funded in part by the Beef Checkoff Program and managed by American National CattleWomen, attracted thousands of entrants in 2003 and garnered extensive consumer media coverage and new ideas for the beef industry. A follow-up special cable program on the Food Network, "Big Beef Battle" reached more than 1.5 million people, slightly more than the network's typical programming draws.

## RESEARCH

### Product Enhancement Research

The *Carcass Merit Research Project* focused on validation of gene markers for tenderness, marbling and composition. Results identified quality traits in participating breeds and aided in development of the first quality trait Expected Progeny Differences (EPDs) for the beef industry. The research project was implemented for CBB and USDA by the National Cattlemen's Beef Association.

The first draft of the *bovine genome sequence*, funded in part by the beef checkoff, is complete and available for use by industry and researchers. The sequencing project represents the only ruminant sequence available for research and technology development.

### E. coli Prevalence

Checkoff-funded research toward reducing the prevalence of *E. coli* O157 in finished raw ground-beef products includes interventions for live cattle to reduce pathogen shedding; hide washes to reduce the amount of contamination entering packing plants; carcass washes including organic acids, hot water, and steam pasteurization; and treatments for beef trimmings. Processing of nearly 90 percent of fed cattle in the U.S. employs food safety systems developed through the Beef Checkoff Program.

### Highlighting Lean Beef

Your checkoff program also funded research to demonstrate how Americans can reduce dietary fat intake by selecting lean beef options in the marketplace. Using a nationally representative nutrient intake database and the most recent release of the USDA national nutrient database, this analysis showed that Americans can reduce their fat and saturated fat intake significantly by selecting lean beef choices.

### Naturally Nutrient Rich

Beef checkoff dollars funded research to create a "nutrient density index," taking "Naturally Nutrient Rich" from a simple concept to an actionable approach that rates foods based on nutrient density. Dr. Adam Drewnowski, University of Washington, calculated single composite scores to show how many nutrients per calorie a food provides. This approach shows that many beef products rank equal to or higher on a nutrient density score than competing proteins, including chicken.

Processing of nearly 90 percent of fed cattle in the U.S. employs food safety systems developed through the Beef Checkoff Program.



## CONSUMER INFORMATION

“Consumer-friendly beef” generated a prodigious 4 billion media impressions.

### Public Relations

Working together, advertising and public relations created a powerful tool in Fiscal 2004. Checkoff-funded public relations efforts for “consumer-friendly beef” — including recipe and cookery information to give consumers more ways to incorporate beef into their meal planning — generated a prodigious 4 billion media impressions! In the area of beef nutrition, public-relations efforts generated more than 220 million media impressions. In 2004, the checkoff also funded a new "Dinner Bell" initiative, which provided a biweekly e-mail to more than 7,000 consumers who registered on beefitswhatsfordinner.com to receive beef recipes and cooking ideas. When this e-mail goes out, consumer traffic to that Web site doubles to 4,000 hits per day.



### Nutrition

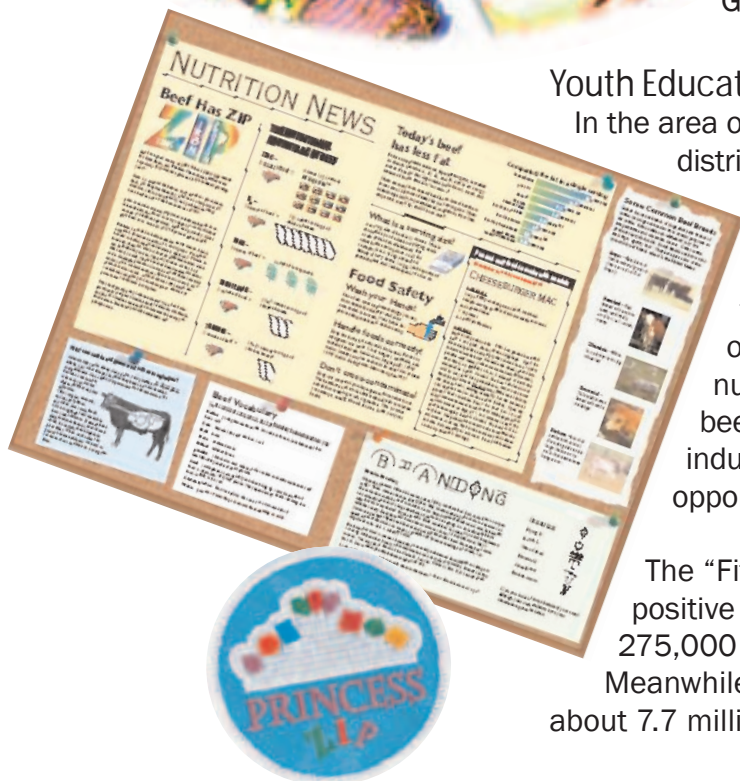
Since the program's inception in 2000, health professional influencers who are members of the checkoff-funded Council for Women's Nutrition Solutions have created more than 172 million media impressions about the importance of beef in a health diet. During Fiscal 2004, obesity issues drove the nutrition debate in the U.S. Everyone is looking for a solution, and CBB wants to be sure that beef is not the problem but part of that solution. Toward this end, checkoff nutrition representatives remain engaged in providing research for the revision of the Dietary Guidelines and Food Guide Pyramid.

### Youth Education

In the area of Youth Education, the checkoff developed, printed and distributed about 425,000 “Beef Ag Mags” in three months.

Managed by the American Farm Bureau Foundation for Agriculture, the checkoff-funded program provided nutritional, safety and other information about beef and the beef industry to “tween” girls, between 9 and 11 years old, toward helping them understand beef's role in a nutritional diet, increasing their confidence in the safety of beef, improving their understanding of ranching and farming industries, and providing information about possible career opportunities in the industry.

The “Fit for a Princess” Girl Scout patch program has provided positive messages about the nutrient qualities of beef to about 275,000 girl scouts and their families and friends in 48 states. Meanwhile, the checkoff's new zip4twins youth Web site generated about 7.7 million positive beef impressions.



# Industry Information

## INDUSTRY INFORMATION

### Issues Management

Nearly a year after the first case of BSE was reported in the U.S., checkoff dollars continue to be invested in BSE issues management toward maintaining consumer confidence based on science and dissemination of accurate information about the animal disease.

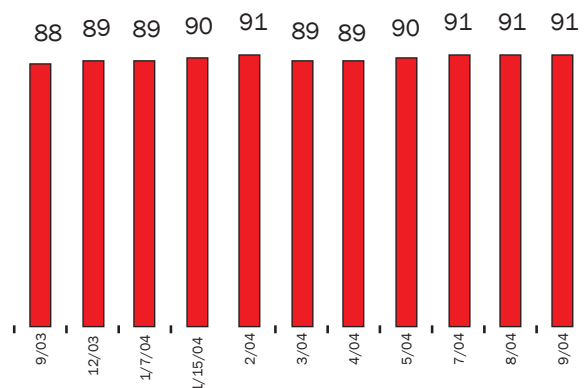
Using a benchmark of 88 percent consumer confidence that U.S. beef was safe from BSE prior to the case in Washington, the results have been impressive. In fact, in the 10 tracking surveys between December 2003 and September 2004, consumer confidence never dropped below that 88 percent and, at the close of Fiscal 2004 in September 2004, stood at 91 percent.

In addition to the more visible efforts, like that associated with BSE, checkoff-funded issues management — often referred to as “the best news you never heard” — works behind the scenes every day to replace inaccurate emotion-based information about beef, beef producers, and the beef industry with science-based facts. Results continue to be positive, as consumer demand for beef continues to climb upward and Cattle-Fax expects consumer expenditures on beef to reach a record high of about \$70 billion for calendar 2004 — a single-year increase of \$8 billion and a phenomenal \$24 billion increase from the average of \$46 billion in the 1990s.

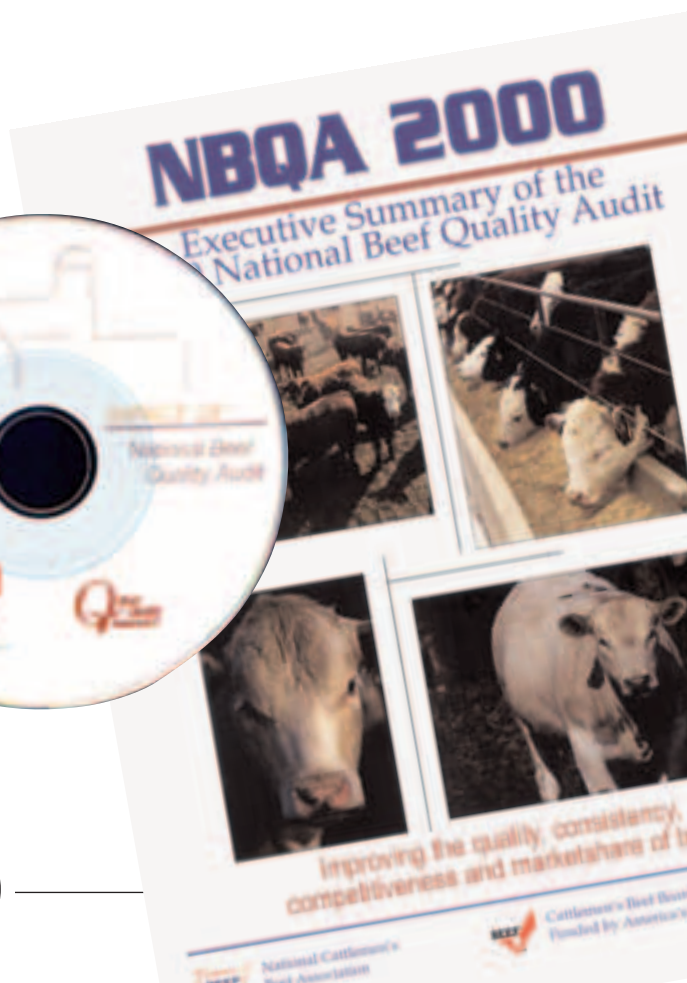
### Beef Quality Assurance

Consumers clearly prefer beef that is tender and consistent, and the Beef Checkoff Program has played an integral role in improving tenderness of the U.S. beef supply by 20 percent in the last 10 years, thanks to projects such as muscle profiling, identification of tenderness gene markers and reduction of injection site lesions. The checkoff's Beef Quality Assurance (BQA) program recently developed and distributed an interactive mini-CD that summarizes overall impacts of the 1991, 1995 and 2000 National Beef Quality Audits on improving quality and consistency of beef and beef products. By the end of Fiscal 2004, more than 5,000 copies of the CD were distributed to beef producers and extension educators nationwide.

### Consumer confidence that U.S. beef is safe from BSE



Cattle-Fax expected consumer expenditures on beef to reach a record high of about \$70 billion for calendar 2004.

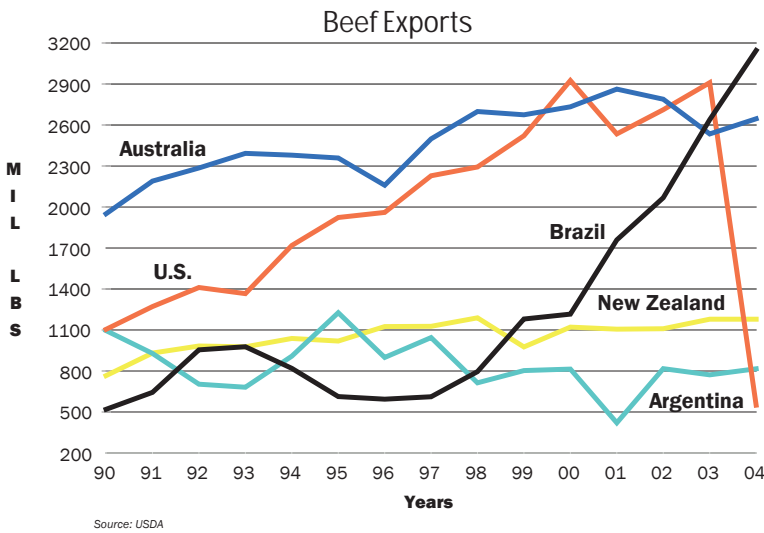


IT'S ABOUT  
**BEEF DEMAND**

## FOREIGN MARKETING

The Beef Board invested checkoff dollars to begin re-entering foreign markets.

Beef export volume nearly doubled between 1993 and 2003, thanks, in part, to checkoff-funded initiatives – managed for producers by the U.S. Meat Export Federation – in the areas of international promotion and marketing. During 2003, export volume increased 3 percent at 1.276 million metric tons, while value grew 21 percent to more than \$3.86 billion. Estimates indicate that exports now account for more than 13 percent of total U.S. production – roughly the equivalent of beef from 5 million head of fed cattle. With the discovery of a single case of BSE in the United States in December 2003, however, most major markets were closed to U.S. beef exports throughout much of 2004. Rather than focusing on promotion of U.S. beef during that time, the Beef Board invested checkoff dollars in 2004 to begin the process of re-entering foreign markets.



## PRODUCER COMMUNICATIONS

Beef and dairy producers received information about their beef checkoff investment through television, radio and print messages during Fiscal 2004. This checkoff campaign, managed for the Beef Board by NCBA, created more than 35 million checkoff impressions at a cost of about 2 cents apiece. In addition, the Cattlemen's Spokesperson Network trained about 250 beef producers to speak effectively to local media and other cattlemen about the Beef Checkoff Program and issues affecting their industry. About two-thirds of producers say they get information about their industry from other cattlemen, and nearly 70 percent of producers say they feel informed about the Beef Checkoff Program.

The checkoff program's "Beefmobile" hit the road in 2004 to provide beef producers who market their animals at livestock marketing facilities across the country firsthand information about how their checkoff dollars are invested. This initiative, managed by the National Livestock Producers Association, included presentations before auctions and one-on-one interaction with producers, enabling those who contribute to the checkoff to ask the questions they had about the checkoff and to gain a clearer understanding about how checkoff programs are used to increase demand for beef and, thus, enhance their opportunities for profit.

"The Beefmobile is augmenting state beef council efforts on regional bases and is helping them make a connection between producers and their national Beef Checkoff Program," said CBB Chairman Nelson Curry, a Kentucky beef producer. "Producers are telling us that they like this direct link to the national beef checkoff."

This campaign created more than 35 million impressions at a cost of about 2 cents apiece.



U.S. Secretary of Agriculture Ann Veneman used the Beefmobile as a backdrop for a press conference at Wisconsin Farm Technology Days in Bloomer, Wisc. in September.

# Cattlemen's Beef Promotion & Research Board

Financial Statements as of September 30, 2004 and 2003 Together with Report of Independent Auditors

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Cattlemen's Beef Promotion and Research Board:

We have audited the accompanying statements of assets, liabilities, and fund balances – modified cash basis of the Cattlemen's Beef Promotion and Research Board (the Board) as of September 30, 2004 and 2003, and the related statements of revenues, expenses, and changes in fund balances – modified cash basis for the years then ended. These financial statements and the exhibit referred to below are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in note 2 to the financial statements, the Board's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations of the Board in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances of the Board as of September 30, 2004 and 2003, and its revenues, expenses, and changes in fund balances for the years then ended, on the modified cash basis of accounting described in note 2.

The accompanying financial statements have been prepared assuming that the Board will continue as a going concern. As discussed in note 8 to the financial statements, the Board received a Circuit Court decision denying the constitutionality of the beef checkoff program. The impact of this decision has been stayed by the Circuit Court to give the Board the opportunity to appeal the decision to the U.S. Supreme Court. If the U.S. Supreme Court upholds the Circuit Court decision, it will eliminate the Board's only source of revenue which raises substantial doubt about the Board's ability to continue as a going concern. Management's plans in regard to this matter are also described in note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary statements of assessment revenues by state (modified cash basis) for the years ended September 30, 2004 and 2003 (Exhibit I) are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe the Board was not in compliance with the provisions of the Beef Promotion and Research Act of 1985 and the Beef Promotion and Research Order (the Order) related to the use of funds collected by the Board insofar as they relate to accounting matters. Further, in connection with our audit, nothing came to our attention that caused us to believe the Board was not in compliance with the terms of Section 1260.149(f) of the Order, or with the terms of the Agricultural Marketing Service Investment Policy, which describe the type of instruments in which the Board may invest, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the members of the Cattlemen's Beef Promotion and Research Board and its management and the United States Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.

KPMG, LLP

Denver, Colorado  
November 1, 2004

# STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

(Modified Cash Basis, Note 2)  
September 30, 2004 and 2003

<b>Assets</b>	<b>2004</b>	<b>2003</b>
Cash and cash equivalents (note 3)	\$ 740,617	\$ 7,115,047
Short-term investments (note 3)	21,843,070	15,909,285
Equipment, net of accumulated depreciation of \$57,462 and \$60,974, respectively	10,791	9,685
Other	10,699	8,236
Total assets	\$ 22,605,177	\$ 23,042,253
 <b>Liabilities and Fund Balances</b>		
Due to state beef councils and other	\$ 935	\$ 848
Fund balances (note 5):		
Appropriated for budgeted expenses	17,593,451	17,623,030
Board reserve	5,000,000	5,000,000
Unappropriated	—	408,690
Investment in equipment, net	10,791	9,685
	22,604,242	23,041,405
Commitments and contingencies (notes 4, 7, and 8)		
Total liabilities and fund balances	\$ 22,605,177	\$ 23,042,253

# STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

(Modified Cash Basis, Note 2)  
For the years ending September 30, 2004 and 2003

<b>Revenues:</b>	<b>2004</b>	<b>2003</b>
Assessments (note 1)	\$ 45,195,760	\$ 45,925,584
Interest	251,953	406,224
Other	56,398	291,036
Total revenues	45,504,111	46,622,844
 <b>Expenses:</b>		
Program:		
Promotion	25,171,651	26,706,111
Research	5,765,831	5,138,396
Consumer Information	4,685,044	6,007,136
Industry Information	2,335,519	1,793,213
Foreign Marketing	4,252,807	5,127,115
Producer Communications	1,615,064	1,726,028
Program Evaluation	188,490	171,569
Program Development	86,472	86,100
Total program expenses	44,100,878	46,755,668
USDA Oversight	135,394	309,517
Administration (note 4)	1,705,002	1,654,903
Total expenses	45,941,274	48,720,088
Deficiency of revenues under expenses	(437,163)	(2,097,244)
Beginning fund balances	23,041,405	25,138,649
Ending fund balances	\$ 22,604,242	\$ 23,041,405

*The accompanying notes to financial statements are an integral part of these statements.*

# NOTES TO FINANCIAL STATEMENTS

## September 30, 2004 and 2003 (Modified Cash Basis)

### (1) Organization and Operations

The Beef Promotion and Research Act of 1985 (the Act), approved on December 23, 1985 by the United States Congress, established a coordinated program of promotion and research designed to strengthen the beef industry's position in the marketplace, as well as to maintain and expand domestic and foreign markets and uses for beef and beef products. As provided in the Act, the Secretary of the United States Department of Agriculture (the Secretary) issued the Beef Promotion and Research Order (the Order), effective July 18, 1986, which provides the terms and conditions for the Act's administration. The Cattlemen's Beef Promotion and Research Board (the Board), which was created and approved by the Secretary to administer the Act, consists of 108 members who are representatives of the cattle industry in the United States, including importers. Board members are appointed by the Secretary.

The 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 Act, the Board's expenses 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. The Board contracts with established national cattle- or beef-industry-governed nonprofit organizations for the implementation and conduct of these programs. Under the terms of these contracts, the entities which receive Board contracts are subject to annual audits and reviews.

### (2) Significant Accounting Policies

#### Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. Under this method, certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when incurred. At September 30, 2004 and 2003, there were assessment receivables of approximately \$6,200,000 and \$6,500,000, interest receivables of approximately \$60,000 and \$48,000, and accounts payable of approximately \$5,800,000 and \$4,400,000, respectively, which are not reflected in the accompanying financial statements. Accounts payable relate to appropriated expenditures and are included in the fund balance

appropriated for budgeted expenditures in the accompanying statements of assets, liabilities, and fund balances (note 5).

As discussed in note 1, the Board receives one-half of the assessment monies collected by the Councils and the remainder is retained by the Councils. The accompanying financial statements include only the Board's share of assessment monies and do not include amounts related to either revenues or expenses of the individual Councils.

#### Depreciation

Equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of three to ten years.

#### Cash, Cash Equivalents, and Short-Term Investments

For purposes of classifying investments, the Board considers all highly-liquid investments with original maturity dates of three months or less to be cash equivalents. Cash equivalents and short-term investments are recorded at cost.

#### (3) Cash, Cash Equivalents, and Short-Term Investments

The Secretary has provided that excess cash may be invested, on a short-term basis, in obligations of the United States or in obligations of any U.S. Government agency or U.S. Government-sponsored corporation. Cash, cash equivalents, and short-term investments at September 30, 2004 and 2003, by investment type, are as follows.

	Cash and cash equivalents	Short-term investments	Total carrying value	Total fair value
<b>Demand Deposit Account</b>	\$ 691	\$ —	\$ 691	\$ 691
<b>U.S. Government Securities</b>	843,000	21,843,070	22,686,070	22,733,789
<b>Less - outstanding checks</b>	(103,074)	—	(103,074)	(103,074)
<b>Totals for 2004</b>	<u>\$ 740,617</u>	<u>\$21,843,070</u>	<u>\$22,583,687</u>	<u>\$22,631,406</u>
<b>Totals for 2003</b>	<u>\$ 7,115,047</u>	<u>\$15,909,285</u>	<u>\$23,024,332</u>	<u>\$23,060,493</u>

The demand deposit account is insured by the Federal Deposit Insurance Corporation and fully collateralized by U.S. government securities held at the Federal Reserve Bank in the Board's name.

#### (4) Administration Expense

The Act limits expenses for the administration of the program to 5% or less of projected revenues. Projected revenues were \$47,000,000 for 2004 and \$46,000,000 for 2003. Accordingly, the administrative expenses incurred by the Board were limited to \$2,350,000 in 2004 and \$2,300,000 in 2003. Administrative expenses incurred by the Board on the accrual basis (versus modified cash basis amounts reflected in the accompanying statements of revenues, expenses, and changes in fund balances) were approximately \$1,718,000 (3.7% of projected revenues) in 2004 and \$1,640,000 (3.6% of projected revenues) in 2003. Expressed as a percentage of

## NOTES TO FINANCIAL STATEMENTS CONTINUED

actual revenues, the Board's administrative expenses were 3.8% in 2004 and 3.5% in 2003.

The Board has entered into an Administrative Services Agreement with the National Cattlemen's Beef Association (NCBA) whereby NCBA agreed to provide certain administrative services to the Board in return for reimbursement of all direct and indirect costs related to the provided services. During 2004 and 2003, respectively, the Board paid NCBA approximately \$184,000 and \$171,000 related to this agreement. The Board leases office facilities from an outside third-party under an operating lease. Payments required under the lease were approximately \$93,000 during 2004 and \$84,000 during 2003. Future annual payments related to the lease are approximately \$95,000 in 2005, \$97,000 in 2006, and \$41,000 in 2007 (five months).

### **(5) Fund Balances**

#### **Appropriated for Budgeted Expenditures**

The balance reflected in the appropriated portion of the fund balance relates to unexpended program appropriations and unexpended amounts budgeted for administrative expenses.

#### **Board Reserve**

The Board has approved the establishment of a fund balance reserve in the amount of \$5,000,000 to be used as the Board may deem necessary, with the approval of the Secretary.

#### **Unappropriated**

At September 30, 2003, \$408,690 of the fund balance had not been appropriated by the Board and was available for budgeting to various program areas. No amounts were unappropriated at September 30, 2004.

### **(6) Income Tax Status**

The Board has received a ruling from the Internal Revenue Service stating that it is classified as a tax-exempt entity that engages in activities under the aegis of the United States Department of Agriculture (USDA).

### **(7) Pension Plan**

The Board provides pension benefits for all of its employees through a simplified employee pension plan under which annual contributions are provided based on a percentage of each employee's salary. Contributions required and funded by the Board were approximately \$85,000 and \$81,000 in 2004 and 2003, respectively.

### **(8) Litigation and Potential Impact on Board's Operations**

During fiscal year 2001, certain persons filed suit against the USDA and the Board alleging, *inter alia*, that the beef

checkoff program violates beef producers' rights under the First Amendment. On June 21, 2002, a federal district court in South Dakota ruled that the beef checkoff program violated the First Amendment and issued an injunction prohibiting the collection of checkoff assessments that was to take effect on July 15, 2002. Before that date, the 8th Circuit Court of Appeals ("8th Circuit") stayed the injunction pending the resolution of the appeal. On July 8, 2003, the 8th Circuit upheld the decision of the federal district court but continued the stay while the U.S. Department of Justice sought a rehearing of the case. On October 16, 2003, the 8th Circuit denied the rehearing request, with two judges dissenting. On October 17, 2003, the U.S. Department of Justice filed a motion to further stay the injunction pending a possible appeal to the U.S. Supreme Court. On October 29, 2003, the 8th Circuit granted the stay of the injunction pending the filing of an appeal with the U.S. Supreme Court. On February 13, 2004 the Department of Justice filed an appeal with the U.S. Supreme Court and on May 24, 2004, the U.S. Supreme Court agreed to hear the case, continuing the stay on the injunction pending resolution of the appeal. The matter has been set for oral argument on December 8, 2004.

A similar legal challenge was filed in the federal district court in Montana. On November 1, 2002, that court rejected the First Amendment challenge to the beef checkoff program, finding that the checkoff program does not violate the First Amendment because it produces government speech. This decision was based on the trial court record produced in the South Dakota case (discussed above). The challengers appealed this decision to the 9th Circuit Court of Appeals ("9th Circuit"), and oral arguments were heard by the 9th Circuit on March 31, 2004. On June 1, 2004, the 9th Circuit stayed further consideration of the Montana case until the South Dakota case has been decided by the U.S. Supreme Court.

The USDA and the U.S. Department of Justice believe they have strong arguments in support of the constitutionality of the beef checkoff program. They have argued, and will continue to argue, that it does not violate the First Amendment. The constitutionality of the beef checkoff program has been defended successfully before. Two other Circuit Courts - the 3rd Circuit in the Frame case and the 10th Circuit in the Goetz case have found the Beef Act to be constitutional and have rejected the claim that the Beef Act violates the First Amendment. If, however, the beef checkoff program is ultimately determined to be unconstitutional, it would result in the termination of the continued collection of beef checkoff assessments and the Board would go out of existence.

# EXHIBIT 1: SUPPLEMENTARY STATEMENTS OF ASSESMENT REVENUES BY STATE

(Modified Cash Basis) September 30, 2004 and 2003

<b>Assessment Revenues:</b>	<b>2004</b>	<b>2003</b>
Qualified State Beef Councils:		
Alabama	\$ 473,219	\$ 429,843
Arizona	307,833	395,578
Arkansas	468,895	452,097
California	1,661,433	1,585,790
Colorado	1,608,408	1,791,858
Delaware	10,342	8,046
Florida	379,816	373,341
Georgia	369,406	337,316
Hawaii	21,012	20,453
Idaho	906,689	952,905
Illinois	379,147	411,716
Indiana	267,303	272,562
Iowa	1,714,056	1,812,768
Kansas	3,945,649	3,942,594
Kentucky	761,446	743,891
Louisiana	244,756	250,162
Maine	16,010	14,427
Maryland	45,559	50,615
Michigan	238,944	250,145
Minnesota	707,933	732,928
Mississippi	334,132	322,308
Missouri	1,425,841	1,439,709
Montana	899,864	889,570
Nebraska	3,673,982	3,922,963
Nevada	129,571	160,510
New Jersey	7,559	7,855
New Mexico	554,946	590,839
New York	313,448	326,255
North Carolina	227,738	224,978
North Dakota	615,973	644,690
Ohio	322,002	338,202
Oklahoma	2,119,868	2,049,389
Oregon	445,344	457,708
Pennsylvania	405,547	459,511
South Carolina	114,138	114,264
South Dakota	1,480,102	1,621,863
Tennessee	558,025	554,658
Texas	6,187,488	6,068,665
Utah	212,570	309,717
Vermont	55,289	57,783
Virginia	416,094	404,757
Washington	446,433	537,831
West Virginia	112,024	110,011
Wisconsin	753,099	783,048
Wyoming	486,401	501,381
Total Qualified State Beef Councils	36,825,334	37,727,500
States Without Qualified State Beef Councils:		
Alaska	452	691
Connecticut	16,362	17,501
Massachusetts	19,050	20,845
New Hampshire	11,983	11,671
Rhode Island	434	493
Total States Without Qualified State Beef Councils	48,281	51,201
Importers	8,322,145	8,146,883
Total Assessment Revenues	\$ 45,195,760	\$ 45,925,584

*See accompanying independent auditors' report.*

## **Cattlemen's Beef Board Mission Statement**

The Cattlemen's Beef Promotion & Research Board is dedicated to improving producer profitability, expanding consumer demand for beef, and strengthening beef's position in the marketplace.

**BEEF**





**BEEF**



**Investing in Beef Safety,  
Nutrition & Promotion**

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