Q and A with Dr. Kaiser

Q1: What are the key findings of your study?

A: There are two main findings of the study. First, the marketing activities funded through the Cattlemen's Beef Board's (CBB) national checkoff budget have a substantial impact on beef demand in the U.S. and in foreign markets. Second, the returns on producers' and importers' investments into the national Beef Checkoff Program are vastly greater than their costs.

Q2: How extensive were these benefits relative to the budget of the CBB?

A: I found that the combined benefits of all programs funded by producers and importers through the CBB were 11.2 times larger than their costs. That is, an incremental dollar invested in CBB-funded activities generated an additional $11.20 in additional revenue to beef producers and importers who invested into it. That is an impressive benefit-cost ratio, or return on investment.

Q3: How is it that your study indicates a benefit-cost ratio more than double the 2009 study, which reported a return of $5.55 on each checkoff dollar invested?

A: There are a number of reasons that these two studies do not represent an "apples-to-apples" comparison, the most important of which is that CBB asked for a more comprehensive study than ever before. That meant evaluating *all* disappearance – including retail, foodservice and international data versus solely domestic retail data, as in 2009. In addition, this new study analyzed individual categories of checkoff programs separately – promotion, foreign marketing, and consumer information, for example – then brought the data together, rather than analyzing only the checkoff as a whole. (*See question No. 9 below for more about this methodology*).

In addition, I measured demand using commercial disappearance, which is an all-encompassing measure, compared to the study in 2009, which used a sample of households that measured demand as the number of servings of beef consumed. Furthermore, this study covered a broader span of time – eight years – rather than five years, which provides a more realistic view of overall value. Finally, national checkoff programs simply might have become even more efficient and profitable since the 2009 study was completed. With all of these factors in mind, of course, you can see that it's important not to compare the two studies directly.

Q4: So what is the direct effect of CBB marketing programs on domestic beef demand?

A: Holding the effects of all other demand drivers constant, the activities funded by the CBB resulted in an increase in beef demand of 2.1 billion pounds per year during the last several years. In other words, had there been no national checkoff investments between 2006 and 2013, beef demand in the U.S. would have been 11.3 percent lower than it actually was.

Q5: What about CBB's role in increasing U.S. beef exports?

A: CBB's investment in export marketing programs resulted in an increase of 6.4 percent in U.S. beef exports during the last several years.

Q6. What impact did this have on increasing export revenue to the industry?

A: For each dollar invested by the CBB into foreign market-development programs, total export revenue increased by $48.39 between 2006 and 2013. *(The U.S. Meat Export Federation reported the export value for full-year 2013 grew to $244.96 per head of fed slaughter.)* This increase not only benefited U.S. beef producers and exporters but also the general economy, in the form of job and tax-revenue creation.

Q7: What are the benefits of the national checkoff to beef producers and importers?

A: The increase in beef demand due to CBB-funded marketing efforts resulted in higher prices for beef producers and a higher volume of beef sold in U.S. and foreign markets. This means higher net revenue for U.S. cattlemen than they would have experienced without those checkoff investments.

Q8: What is the difference between the model used for the domestic ROI study and that used for measuring the return on checkoff investments in foreign markets?

A: The foreign model pertains to imports in the seven largest U.S. beef-importing countries. The domestic model examines beef demand within the United States only.

Q9: What types of inputs, or data sets, were used in this research model?

A: This study measured the impacts of all factors affecting demand for domestic and exported beef products for which data were available. Under this model, the analysis nets out impacts of important factors other than checkoff activities that affect beef demand over time. Again, I used commercial disappearance to measure demand and also estimated the incremental sales generated by CBB activities for individual types of marketing programs, as well as for all activities combined. The benefits to beef producers and importers are estimated using an "Equilibrium Displacement Model," which enables computation of a benefit-cost ratio for each individual program – be it advertising or public relations or beef-safety research, etc… – and for all programs combined.

Q10: Does this measure the effectiveness of state beef council checkoff investments? What realm of programs is included?

A: State beef council checkoff programs were not included in this study. Only those programs funded by the national CBB budget – including domestic and foreign-marketing investments – were included.

Q13: How will changes in program-area funding moving forward impact the benefit-cost ratio for each program area? Should we move all funding to the program area with the highest ratio? Why or why not?

A: Benefit-cost ratios were conducted for nine separate marketing or research activities funded by the CBB and all activities were found to have benefits that exceeded their costs. In general, the activities with the highest ratios were the ones with the lowest levels of investment, while those with the lowest benefit-cost ratios had the highest spending levels. This is reflective of what economists refer to as "diminishing returns", which means that as the amount of spending on an activity increases, its returns increases, but at a diminishing rate, or ratio. As a result, if you move more money into an activity with a higher benefit-cost ratio, the ratio is more likely to decline.