

Your Beef Checkoff

BEEF



IT'S WHAT'S FOR DINNER.®



Building Demand

2000 Beef Board Annual Report

LETTER FROM BEEF BOARD CHAIRMAN LES MCNEILL

Dear Fellow Producers:

When you give us your checkoff dollar, you also give us your trust. Today, after enduring a market that had been ailing for some time, that trust is paying off. There is good news to report on several fronts, much of it due to dedicated volunteer leaders and the producers that contribute to the checkoff.

Demand is up. And with it, our confidence that the groundwork we have carefully laid over the past years is strong. Preliminary third-quarter data for 2000 shows that beef demand has increased more than 6 percent over last year, despite record beef production. Supply and price haven't increased simultaneously in nearly 25 years -- a remarkable achievement.

Why the increase in demand? General factors, like low unemployment, strong consumer spending and low inflation certainly helped. But we feel a good share of it can be credited to the beef checkoff program.

In many cases, beef's successes can be linked to the beef industry's Long Range Plan Vision Statement: "A dynamic and profitable beef industry, which concentrates resources around a unified plan, consistently meets global consumer needs and increases demand." Programs that focus on the demand drivers established in the plan have been implemented, and we are seeing success. It is rewarding to say that thanks to sound research, exciting new beef products, highly targeted promotion and consumer education we are indeed looking at a dynamic industry under a unified plan successfully improving demand.

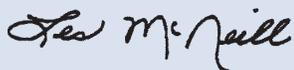
On the pages of this annual report, you'll read not only about our checkoff-funded programs, but learn their direct results. We want to share with you how many people these efforts affected - not merely that programs were developed and implemented.

In addition to the demand story, other good news came from the home front this year. An independent survey conducted this summer showed that beef producers are more optimistic about the industry, more informed about the checkoff, and more supportive of the national program. Six out of 10 producers say they continue to be positive about the beef industry, up 26 points from only a year ago. And more than two-thirds of producers say they support the checkoff program. It's encouraging news, and reflects the fact that we are better informing producers about their checkoff investments.

We are encouraged about our future and optimistic that we can continue the turnaround in beef demand. Of course, like this year, we don't expect every aspect of the industry to be positive. Cattle feeders will continue to feel the pinch from thinner margins, global markets have their ups and downs, and among beef producers there are differences of opinion on how we should invest checkoff dollars. As always, we welcome your ideas and thoughts.

Also, please know that while we've reached the goal of stabilizing or increasing demand (a year early, I might add), your representatives on the Cattlemen's Beef Board are just as driven to continue that trend. The Demand Story was the big one in 2000, but we're already working on the next chapter.

Yours truly,



Les McNeill
Cattle Feeder
Panhandle, TX
Chairman, Cattlemen's Beef Promotion & Research Board



Executive Committee at work

About the cover — Taken from one of the beef checkoff's current television commercials, this year's annual report cover symbolizes the switch back to beef consumers are making, as evidenced by increasing beef demand.

Performance. Achievements. Results.

While the beef industry has always set goals and worked diligently to achieve them, this was a year for the record books -- literally. In a market of record beef supplies and intense competition, consumer spending for beef hit new heights.

According to the Beef Demand Index generated by Dr. Wayne Purcell of Virginia Tech University, preliminary third-quarter data for 2000 shows that beef demand increased more than 6 percent over third-quarter 1999. Estimated consumer spending for beef in 2000 is a record \$53 billion -- \$3.7 billion more than the previous year. What's more, after nearly two decades of decline, beef demand has stabilized and increased for the past three years.

The market was nothing short of remarkable. From January to September, U.S. beef production was 20.26 billion pounds, 2 percent higher than 1999 levels. And still, overall demand increased and prices moved higher.

Although the strong overall economy obviously contributed to our success, our positive results are largely due to the efforts of visionary producers, committed leaders and strategically invested checkoff dollars. Activities were carefully built around specific messages and target audiences to ensure the strongest reach possible.

Significantly, most of these programs were created based on the demand drivers identified in the Beef Industry Long Range Plan. The combined priority drivers of convenience, nutrition, safety, flavor/tenderness

and exports have been centerpieces of checkoff-funded efforts in recent years. The dedication to those demand drivers is now paying dividends to checkoff investors.

The Convenience and Value Story: New Product Development

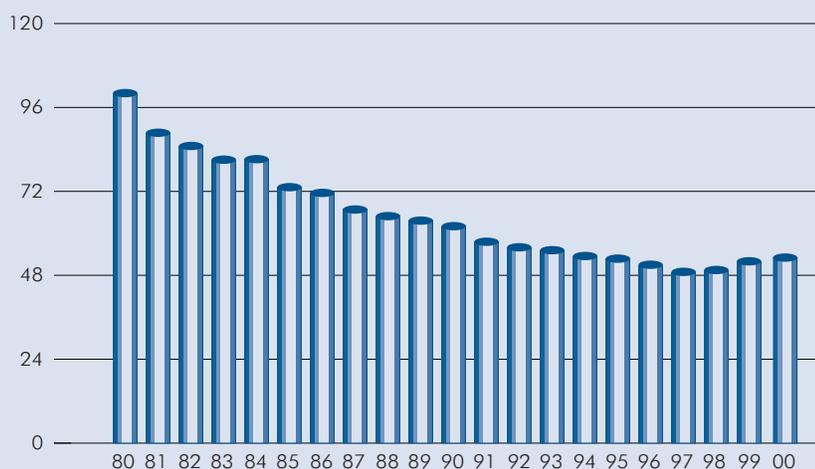
One of the major factors in stabilizing and increasing beef demand has been the investment of checkoff dollars in new beef product development and marketing. The beef industry is benefiting from the more than 50 new prepared beef items that were introduced by 31 manufacturers this past year alone. These are great-tasting, convenient beef products that have re-energized the marketplace and sparked innovative ways to bring value to consumers -- and to checkoff investors, as well. They are convenient for consumers and also feature cuts from the chuck and round, primals that have long been underutilized and undervalued.



On the foodservice or restaurant end, new products are also enjoying interest from operators, distributors and chefs.

By supporting beef innovations, the checkoff is showcasing beef in a new light. Whether it's fully cooked Ground Beef Crumbles, a versatile, tender Boneless Beef Filet, or Cheeseburger Fries, new products are addressing customers'

Annual Beef Demand Index



Year	Index
1980	100.00
1981	88.68
1982	84.89
1983	81.00
1984	81.04
1985	73.09
1986	71.50
1987	66.84
1988	64.77
1989	63.66
1990	61.86
1991	57.53
1992	55.78
1993	54.99
1994	53.40
1995	52.72
1996	50.82
1997	48.75
1998	49.29
1999	51.89
2000	53.00

The Demand Story

The Demand Story

desires for having it all without doing it all.

Exciting new beef products are more than just a buzzword. From the time the beef checkoff launched its first "convenient beef" advertising in January 1999, sales of prepared beef items have risen from about \$651,000 per week to \$1.5 million per week in September 2000. This represents an increase in sales of 131 percent.

The Health Story: Nutrition-Based Programs

The strong demand figures for the year reflect the fact that we are breaking down health misconceptions about beef that are barriers to consumption. In fact, research shows that the proportion of beef's target audience ("Moms" or women ages 25-54) who said they feel better about beef's nutritional value now over a year ago increased from 23 percent in 1999 to 29 percent in 2000. We have boosted beef's nutritional image through several integrated programs.

On the research side, a well-publicized checkoff-funded study showed that a diet including 6 ounces of lean red meat five or more times a week may actually help reduce the risk of coronary heart disease. Meanwhile, communication programs aimed at doctors and dietitians helped position beef as a power-pack of nutrients, including protein, zinc, iron and B-vitamins, while information available through targeted advertising and on the Internet underscored beef's nutrient profile directly to consumers. This year, the effective "Beef. It's What's for Dinner.™" campaign was expanded to include new nutrition messages that reached 98 percent of our core audience of moms, a majority of whom don't get the appropriate intake of zinc, iron and various B-vitamins.

The Food Safety Story: Proactive Efforts

Through science-based education and public relations efforts, as well as food safety research, the industry is making headway in addressing safety issues.

Checkoff dollars provide food safety information to a variety of audiences, including



preschools and childcare centers across the country. Dollars also help support the Partnership for Food Safety Education and its Fight BAC!™ campaign, which is an effort to promote safe food handling and cooking practices to Americans. Fight BAC!™ food safety materials have reached more than 300,000 students across the U.S., while 850 Wal-Mart Superstores hosted a Fight BAC!™ Day to promote national food safety education.

Industry efforts are working. Research shows that consumer confidence in the safety of hamburger increased by 8 percent from 1998 to 2000.

Positive consumer perceptions on safety can only happen with positive industry changes. More than 80 percent of beef safety research funded by checkoff dollars over the past five years has been immediately implemented by beef processors.

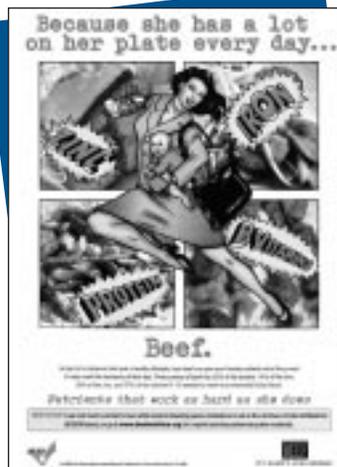
The Global Story: International Marketing Initiatives

Foreign consumers represent 96 percent of the world's population. In the last decade, exports of U.S. beef and beef variety meats have climbed from 508,000 metric tons to nearly 1.3 million metric tons annually, as we explore new markets and outlets for cuts that are not in high demand domestically.

Checkoff-funded programs educated buyers in export markets on the attributes of U.S. beef, taught foreign consumers and chefs how to prepare American beef and promoted underutilized cuts.

The future for U.S. beef exports looks promising. The Asian markets continue to recover from the difficult 1998 economic downturn and the opening of the populous Chinese market means even more opportunities for American beef exports.

Checkoff investors can feel proud of their industry's accomplishments in this symbolic millennium year. We are focusing this year's annual report on results -- not only outlining some of our efforts, but also showing you their immediate, bottom-line impact. They are the headlines of the beef story.



THE PROGRAMS: RESULTS THROUGH TARGETED PROGRAMS

PROMOTION

RESULT: Just three years ago heat-and-eat beef entrees were almost unheard of. Today, 61 percent of supermarkets in the U.S. have a convenience section in their fresh meat case. Prepared beef entree categories have spiked from \$70 million a year in consumer spending in 1998 to \$117 million today.

PROGRAM HIGHLIGHTS:

The checkoff-funded New Product Development Team, organized only three years ago, was hard at work in 2000 supporting more than 50 innovative beef product introductions. Five checkoff-inspired new products have been labeled "fast-track" items, because of their great potential for national sales. Fast-track products include the versatile Boneless Beef Filet, fully cooked Ground Beef Crumbles, the marinated Today's Roast that comes with its own pop-up timer, Rotiss-A-Roast™ seasoned rotisserie beef and kid-friendly Cheeseburger Fries. Checkoff dollars also sponsored the Best New Beef Products Awards, which served as a catalyst for private companies to offer up a variety of new beef products. From more than 100 entries, Quick-N-Easy Top Sirloin Steaks in Bourbon Sauce, manufactured by RMH Foods Inc., was named the 2000 Grand Champion. Not only is the product delicious, it can be microwaved in just eight minutes.

RESULT: The beef industry's "Mark of Quality" symbol, developed by the checkoff-funded Brand-Like Commission, has been approved for use on more than 40 retail beef products. As a result, beef is enjoying brand recognition and loyalty — something other supermarket items have capitalized on for years.

PROGRAM HIGHLIGHTS:

The Mark of Quality symbol indicates that a beef item has passed

strict culinary evaluations for taste, ease of preparation, marketability and overall consumer appeal.

Consumers can look for the mark on products from well-known companies, such as Farmland®, Louis Rich®, Stouffer's®, Lloyd's® and Hormel®, and have added assurance they will enjoy a quality eating experience.



RESULT: Checkoff dollars successfully reached 57 million women who make the family's primary food purchasing decisions at least 23 times throughout the year with nutrition and convenience messages. Research indicates that 83 percent of moms recognize "Beef. It's What's for Dinner.™" advertising, and awareness of beef heat-and-eat products rose as high as 62 percent -- up from 43 percent one year ago.

PROGRAM HIGHLIGHTS:

With the recognizable "Rodeo" music and voice of actor Sam Elliot, network television ads highlighted the convenience of heat-and-serve beef meals. Meanwhile, on cable television networks, nutrition-oriented commercials touted beef as a "bundle" of nutrients. Strong nutrition messages were also the centerpiece of ads appearing in major magazines like *Parade*, *Health*, *Cooking Light*, *Good Housekeeping*, *Better Homes & Gardens* and *Working Mother*. State beef councils extended the advertising reach with local radio, print ads and public relations efforts.



The Demand Story

RESULT: Since the checkoff-funded Beef Made Easy program was launched in April 1999, supermarkets participating in the program have seen total beef sales increase as much as 38 percent. Sales of undervalued cuts from the beef chuck have increased 4.5 percent, while sales of cuts from the beef round have increased 8.5 percent. During 300 in-store interviews, 65 percent of moms said the program improved their quality perception of beef.

PROGRAM HIGHLIGHTS: Twenty major grocery chains representing 20,000 stores nationwide have implemented the Beef Made Easy program. Beef Made Easy helps retailers reorganize their meat cases by cooking method with simple color-coded labels, rail strips and cooking instructions.

RESULT: Advertising, public relations and special events target key food-service operators, fortifying the increased demand for beef in the \$370 billion per year foodservice industry. Marketing efforts are letting restaurateurs know that they can save time, labor and money in the kitchen by incorporating new value-added beef items into their menus. What's more, restaurant food trends typically drive at-home food trends. This is good news for the beef industry, because recent partnerships resulted in new beef products being added to the menus of popular restaurant chains nationwide.

PROGRAM HIGHLIGHTS: The Rancho Cabana Sirloin Enchilada, made from fully cooked, shredded beef will likely be added to the permanent menu of Taco Cabana after the chain sold out of 70,000 pounds of the value-added beef in less than seven weeks. A "Spoon-Tender Pot Roast" promotion with Old Country Buffets sold an estimated 2 million pounds of pre-cooked pot roast. Bennigan's featured an O'Philly Cheese Steak Sandwich with its "Time Crunch Lunch" promotion. The eight-week event saw a 25 percent increase in sales of the entree made from an easy-to-prepare, value-added cut from the beef chuck.

RESULT: Veal is served in 64 percent of fine dining restaurants and 34 percent of casual or theme restaurants, up from 28 percent of casual restaurants surveyed in 1997.

PROGRAM HIGHLIGHTS: Checkoff-funded efforts have helped develop a variety of new convenient veal items for home and restaurant use. Ads featuring new veal products such as veal bacon and



veal ribs ran 42 times this year in respected culinary publications. Featured articles with new veal recipes and menu ideas appeared in magazines including

Food Arts, Nation's Restaurant News, Restaurant Hospitality and Chef Magazine. Veal point-of-purchase promotional materials were placed in more than 3,200 supermarkets, as well.

RESULT: Exports of U.S. beef and beef variety meats increased nearly 18 percent in volume and 22 percent in value during the first nine months of 2000.

Total U.S. beef exports for 2000 are estimated to be valued at \$3.8 billion. Checkoff promotions have helped American beef exports jump more than 127 percent in the past decade.

PROGRAM HIGHLIGHTS:

Checkoff dollars aid market development efforts in more than 50 foreign countries.

Undervalued cuts are heavily promoted to foreign buyers -- an important effort since 80 percent of U.S. muscle meat exports come from underutilized primals. Cooking classes in 10 major cities were held through-

out Japan, our largest export market, where attendees were taught how to use and prepare U.S. beef. The classes coincided with a supermarket promotion that also provided Japanese consumers with menu ideas, samples, product information and recipes. Total Japanese imports of U.S. product in 2000 are estimated to be valued at nearly \$2 billion -- a 15 percent increase over 1999.



The Demand Story

RESULT: U.S. beef exports to Hong Kong/China increased 84 percent in volume and value during the first nine months of 2000, compared to the same period in 1999. During the same time frame, Mexican imports of American beef increased 18 percent in value.

PROGRAM HIGHLIGHTS: Promotions in the populous Hong Kong/China region increased sales of chilled beef to hotels and restaurants and encouraged the use of American beef in traditional Chinese "hot pot" dishes. Chefs from across Mexico and the Caribbean competed for prizes based on their current usage of U.S. beef.

INFORMATION

RESULT: Thanks to checkoff-funded editorial efforts this year, a total of 6,856 positive articles and recipes were written about beef in magazines and newspapers with a total circulation of 1.1 billion. These earned placements greatly improved beef's visibility and image as a flavorful, convenient and nutritious family meal.

PROGRAM HIGHLIGHTS: Food communications programs provided recipes, photography and feature ideas about beef meals to food media, culinary professionals and food marketing communicators. Personal visits with the editorial staff of 17 national magazines, such as *Ladies' Home Journal*, *Working Mother* and *Woman's Day*, helped generate enthusiasm and keep beef top-of-mind.

RESULT: The industry's flagship Internet site, www.beef.org, is the place to turn for online information about beef. Each month, about 65,000 users log on to the site and read about beef nutrition, cooking, business and marketing. Site users have nearly doubled since 1998.

PROGRAM HIGHLIGHTS: The www.beef.org Web site is linked to other food-related Internet sites for more exposure. In addition, checkoff investors looking for industry information and results are a click away from helpful information by following a link to the Beef Board's site, www.beefboard.org.

RESULT: Public relations efforts created more than two billion impressions this year. Stories about increased beef demand, beef nutrition and convenient new products were picked up by the *Associated Press*, *CNN*, *CBS Evening News*, *USA Today*, *The Wall Street Journal* and many more publications and television stations across the country. The favorability rat-



ing of beef industry media coverage for 2000 is the highest recorded since tracking began in 1991. This year's rating was 52, which is up from 51 in 1999 and 49 the previous four years. Ratings between 45 and 55 are considered neutral. What's more, research shows the proportion of moms who believe beef has more important

nutrients than chicken increased from 29 percent in 1999 to 39 percent in 2000.

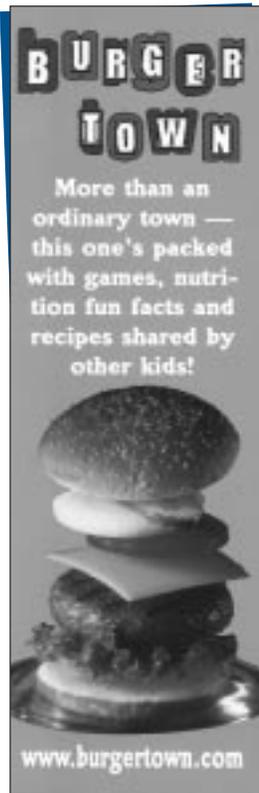
PROGRAM HIGHLIGHTS: News releases on beef topics like new product development, nutrition, safety and rising demand were regularly distributed to the nation's top 150 newspapers, wire services and broadcasters.

RESULT: This year, more than 105,000 teachers and 3 million kids were reached with reusable beef education materials and kits, which teach beef's future consumers about nutrition, food safety and cattlemen as good stewards of the environment. Young Internet users are logging on to www.burgertown.com, which targets kids ages 8-12 with interactive games and activities that teach about beef. In its first year of operation burgertown.com had 290,000 visitors.

PROGRAM HIGHLIGHTS: Beef industry research found that beef education materials should focus on a nutrition message for girls and a taste message for boys. This important audience influences more than \$8 billion in purchases of fresh and packaged meats annually.

RESULT: The beef industry provided health professionals with more than 1.6 million copies of beef nutrition materials this year. The most up-to-date information and data about beef was sent to doctors, dietitians and nutrition communicators around the country. The materials encouraged visits to the www.beefnutrition.org Web site for further information on issues like zinc, iron, cholesterol-lowering diets and the benefits of dietary conjugated linoleic acid or CLA. From September 1999 to September 2000, visits to www.beefnutrition.org more than doubled to an average of 6,800 per month.

PROGRAM HIGHLIGHTS: Health professional advertising touting beef's nutrient bundle reached nearly 100 percent of registered dietitians, 68 percent of OB/GYNs, 60 percent of nurse practitioners and physician assistants, and 55 percent of primary care physicians. Health professionals are a leading source of nutrition information for the industry's target audience -- moms.



The Demand Story



RESULT: Checkoff dollars were used to pull together a team of women's health experts to help educate moms and other health professionals about beef's role in a healthy diet. The team championed beef using "The Energy Institute" on one of the Internet's most popular women's Web sites, www.ivillage.com. The site has 4.9 million members.

PROGRAM HIGHLIGHTS: This year, the Council for Women's Nutrition Solutions (CWNS) was formed to further the message of beef's importance in healthful diets. The all-woman scientific advisory board is made up of doctors, dietitians and scientists who advocate "Everyday Solutions for the Everyday Hero," a checkoff-funded project highlighting beef as one of those solutions.

RESULT: Beef Quality Assurance programs developed with checkoff dollars about 12 years ago now reach all 50 states.

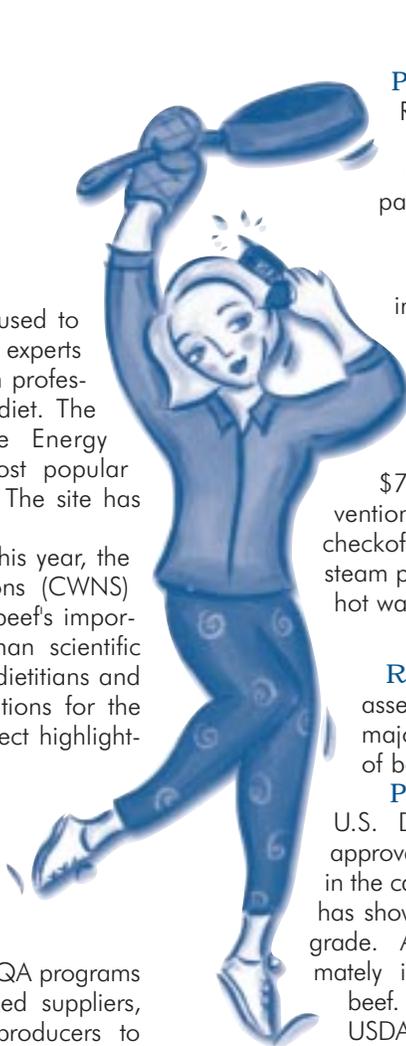
PROGRAM HIGHLIGHTS: BQA programs unite animal scientists, veterinarians, feed suppliers, animal health companies and beef producers to encourage the use of the latest science and technology to improve beef quality, wholesomeness and safety.

RESEARCH

RESULT: Checkoff-funded nutrition research is providing more evidence that a naturally occurring fatty acid in beef, conjugated linoleic acid (CLA), may play a major role in reducing the risk of developing cancer and heart disease, enhance immune system functioning and delay the onset of Type II diabetes.

PROGRAM HIGHLIGHTS: Other exciting nutrition research is examining the role of moderate protein diets containing beef and their potential benefits.

RESULT: Groundbreaking muscle profiling research created a database to assist the development of fresh and value-added beef items. The database will be used to reinvent uses for undervalued beef cuts from the chuck and round, which could then boost demand. The data is available to the industry.



PROGRAM HIGHLIGHTS:

Researchers examined 5,600 muscle samples from the chuck and round to measure and record processing traits, palatability and composition.

RESULT: A study found that packing plants applying a strategy of multiple interventions can decrease carcass contamination by as much as 99.75 percent.

PROGRAM HIGHLIGHTS:

U.S. packers have spent more than \$75 million installing food safety intervention systems that were developed with checkoff dollars, including steam vacuuming, steam pasteurization, organic acid wash, and hot water rinse.

RESULT: Checkoff-funded instrument assessment research helped develop a major positive change in the application of beef carcass yield grades.

PROGRAM HIGHLIGHTS:

The U.S. Department of Agriculture recently approved the use of instrument augmentation in the carcass grading process, which research has shown improves the accuracy of the yield grade. A more exact grading system will ultimately improve consumer's satisfaction with beef. The beef industry is working with USDA to develop standards for the implementation of the Computer Vision System (CVS) in yield grading carcasses.

PRODUCER COMMUNICATIONS

RESULT: In a July 2000 independent survey of beef producers, 66 percent considered themselves "somewhat" or "well" informed about the beef checkoff program, up 3 percent from January 2000. Thirty-one percent of producers considered themselves "very well informed," up 8 points since January.

PROGRAM HIGHLIGHTS:

Quarterly Checkoff Reports were inserted in national and local beef and dairy publications with a combined circulation of more than 1 million producers. Through these updates, print and video news releases, and the continually updated Web site www.beefboard.org, the Beef Board provides producer investors with a variety of information on how their dollars are being spent.



2000 Members

Beef board members are nominated by fellow producers in their respective states or regions. Each serves without compensation. They are pictured here by state along with their committee assignments.



Les McNeill, Chairman
Dan Hammond, Vice Chairman
Dee Lacey, Secretary/Treasurer
Monte Reese, Chief Operating Officer

Alabama



Gregg P. Blythe
Decatur, AL
Advertising Committee



Timothy B. Coe
Wedowee, AL
Beef Quality Assurance Subcommittee
Evaluation Committee

Arizona



Leslie Heiden
Buckeye, AZ
Industry Communications Subcommittee

Arkansas



Leland R. Jackson
Ash Flat, AR
Beef Quality Assurance Subcommittee



John W. Thomas
Danville, AR
Beef Safety Research Subcommittee
OSBC Coordination Collections Compliance Subcommittee

California



Paul T. Cameron
Brawley, CA
Vice Chair Human Nutrition Research Subcommittee



Dee Lacey
Paso Robles, CA
CBB Secretary/Treasurer Operating Committee Executive Committee
Vice Chair - Communications Group
Vice Chair - Brand-Like Task Force
Beef Industry Budget Committee



William Sanguinetti
Farmington, CA
Vice Chair - Beef Quality Assurance Subcommittee



Fred Schakel
Chino, CA
Beef Safety Research Subcommittee



John Zonneveld, Jr.
Laton, CA
Vice Chair - Advertising Committee



Marilyn I. Hansen
Livermore, CO
Vice Chair - Food & Nutrition Issues Subcommittee



Roger W. Hickert
Akron, CO
Foodservice Committee



Danny P. Todd
Crawford, CO
New Product & Culinary Initiatives Committee

Colorado

Florida



Kay Richardson
Evinston, FL
Product Enhancement Subcommittee



Andy Tucker, Jr.
Rockledge, FL
Executive Committee
Administration Subcommittee
Product Enhancement Subcommittee



Harvey Lemmon
Woodbury, GA
Public Relations Subcommittee
Vice Chair - OSBC Coordination Collections Compliance Subcommittee



Dan Hammond
American Falls, ID
CBB Vice Chairman Operating Committee
Chair - Executive Committee
Chair - Consumer Marketing Group
Chair - Importer Working Group



Jim A. Little
Emmett, ID
Issues Management Subcommittee
Evaluation Committee



David W. Bateman
Elburn, IL
Administration Subcommittee
Food & Nutrition Issues Subcommittee



Steven Lee Foglesong
Astoria, IL
Issues Management Subcommittee



Om P. Sharma
Williamsport, IN
Executive Committee
Vice Chair - Health Professional Influencers Subcommittee
OSBC Coordination Collections Compliance Subcommittee

Illinois

Indiana

Iowa



Judy A. Frank
Sigourney, IA
Chair - Foodservice Committee



Craig Allen Lang
Brooklyn, IA
Education Subcommittee
Audit Committee



Bill B. Scheitler
LeMars, IA
Operating Committee
International Markets Committee
Beef Industry Budget Committee



Donald E. Wagner
Corydon, IA
Chair - Information Committee



Richard J. Benoit
Damar, KS
Advertising Committee
Audit Committee



Lee Borck
Larned, KS
Retail Committee
Importer Working Group



Tracy L. Brunner
Ramona, KS
New Product & Culinary Initiatives Committee



Joe Jury
Ingalls, KS
Chair - Beef Safety Research Subcommittee
Brand-Like Task Force

Kansas

Kansas



Constance M. Kuhlman
Dodge City, KS
Product Enhancement
Subcommittee



Duane L. McHenry
Clyde, KS
International Markets
Committee
OSBC Coordination Collections
Compliance Subcommittee



Howard Woodbury
Quenemo, KS
Product Enhancement
Subcommittee

Kentucky



Joe Burke, Jr.
Hardinsburg, KY
Chair - OSBC Coordination
Collections
Compliance Subcommittee



W. Nelson Curry II
Paris, KY
Executive Committee
Vice Chair - Nutrition
& Health Committee



James A. Tipton
Taylorsville, KY
Administration Subcommittee
Issue Management
Subcommittee



Daniel Lyons
Church Point, LA
Public Relations
Subcommittee
Evaluation Committee



Walter Stafford
Richland, MI
Product Enhancement
Subcommittee

Mid-Atlantic Minnesota



Larry Echols
Gap Mills, WV
Product Enhancement
Subcommittee



Jon M. Gorder
Canby, MN
New Product &
Culinary Initiatives
Committee



George P. Koch
Puposky, MN
Vice Chair - Veal
Committee



Mary P. Swart
New London, MN
Education Subcommittee

Mississippi



Clifford Dance, Jr.
Winona, MS
Retail Committee



Benny D. Farrell
Maryville, MO
International Markets
Committee



Mary Kay Lyle
Savannah, MO
Food & Nutrition
Issues Subcommittee



David J. Means
Fulton, MO
Health Professional
Influencers
Subcommittee

Missouri

Missouri



Tom Sites
Blackwater, MO
Executive Committee
Administration Subcommittee
Human Nutrition Research
Subcommittee



Lawrence A. Descheemaeker
Lewistown, MT
Foodservice Committee



Jane H. Lindgren
Joliet, MT
Advertising Committee
Importer Working Group



Michael E. Tatsey
Valier, MT
Industry Communications
Subcommittee

Nebraska



Ann K. Bruntz
Friend, NE
Operating Committee
Chair - Issue Management
Subcommittee



Shari E. Flaming
Paxton, NE
Food & Nutrition
Issues Subcommittee



Norman A. Guenther
Crofton, NE
Product Enhancement
Subcommittee



John McFadden
Taylor, NE
New Product & Culinary
Initiatives Committee

Nebraska



Warren M. Mitchell
Fairfield, NE
International Markets
Committee



Bill H. Rishel
North Platte, NE
Advertising Committee



Alan J. Svajgr
Cozad, NE
Operating Committee
Administration Subcommittee
Human Nutrition Research
Subcommittee



Jim Wright
Tuscarora, NV
Beef Safety Research
Subcommittee
OSBC Coordination Collections
Compliance Subcommittee

New Mexico New York



Fita A. Witte
Stanley, NM
Chair - Public Relations
Subcommittee



Robert C. Howland
Candor, NY
Foodservice
Committee



Justin J. Martin, Jr.
Canandaigua, NY
Beef Safety Research
Subcommittee



John Roberts
Whiting, VT
Operating Committee
Issues Management Subcommittee
Beef Industry Budget Committee

Northwest



Joan Harder
Ritzville, WA
Executive Committee
Chair - Evaluation Committee
OSBC Coordination Collections
Compliance Subcommittee



Perry Lee Teeter
Glade Valley, NC
Operating Committee
Chair - Retail Committee



L. Jon Erickson
Minot, ND
Health Professional
Influencers
Subcommittee



Theresa E. Tokach
Mandan, ND
Retail Committee

Ohio



Joe Foster
Gallipolis, OH
Industry Communications
Subcommittee



Lisa K. Hefner
Seminole, OK
Vice Chair - Foodservice
Committee



Lowell E. Hobbs
Haskell, OK
Chair - Audit Committee
Human Nutrition Research
Subcommittee



Billy McCarley
Marlow, OK
Beef Quality Assurance
Subcommittee

Louisiana

Michigan

Oklahoma



Wayne (Duty) Rowe, Jr.
Lawton, OK
Food & Nutrition Issues
Subcommittee



Terry L. Wyatt
Hollister, OK
Retail Committee

Oregon



Jim L. Chapman
Klamath Falls, OR
Operating Committee
Vice Chair - Beef Safety Committee
Beef Industry Budget Committee

Pennsylvania



Tommy R. Croner
Berlin, PA
Administration Subcommittee
Industry Communications
Subcommittee



Bob Hay
Frieders, PA
Vice Chair - New
Product & Culinary
Initiatives Committee

S. Carolina



Willyne M. McGill
Starr, SC
New Product & Culinary
Initiatives Committee



Ralph D. Jones
Midland, SD
Issues Management
Subcommittee



Jerry J. Petik
Meadow, SD
International Markets
Committee

S. Dakota



Donna L. Sharp
Bath, SD
Executive Committee
Chair - Administration Subcommittee
Vice Chair - Education Subcommittee



Arnold L. Wienk
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Greenleaf, WI
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International Markets Committee
OSBC Coordination Collections
Compliance Subcommittee

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Veal Committee



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Advertising Committee



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Jeffrey G. Isenmann
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Administration
Subcommittee
Health Professional
Influencers
Subcommittee



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Huntington Beach, CA
Advertising Committee



Alberto Jorge Senosiain
Coral Gables, FL
New Product & Culinary
Initiatives Committee

Importers

Cattlemen's Beef Promotion and Research Board

Report of Independent Public Accountants

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

We have audited the accompanying statements of assets, liabilities and fund balances of the CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD (the "Board") as of September 30, 2000 and 1999, and the related statements of revenues and expenses and changes in fund balances 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 and exhibit 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 in conformity with accounting principles generally accepted in the United States.

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, 2000 and 1999, and its revenues and expenses and changes in fund balances for the years then ended, on the modified cash basis of accounting described in Note 2.

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 for the years ended September 30, 2000 and 1999 (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 audits 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 audits, 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") relative to the use of funds collected by the Board insofar as they relate to accounting matters. Further, in the connection with our audits, 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 audits were 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 the specified parties.

ARTHUR ANDERSEN LLP

Denver, Colorado,
October 24, 2000.

Statements of Assets, Liabilities and Fund Balances

(Modified Cash Basis, Note 2) September 30, 2000 and 1999

ASSETS	2000	1999
CASH AND CASH EQUIVALENTS (Notes 2 and 3)	\$ 1,926,557	\$ 2,767,162
SHORT-TERM INVESTMENTS (Note 3)	26,305,128	26,536,645
EQUIPMENT, net of accumulated depreciation of \$57,049 and \$54,538, respectively (Note 2)	9,503	7,008
OTHER	1,276	181
Total assets	<u>\$28,242,464</u>	<u>\$29,310,996</u>
LIABILITIES AND FUND BALANCES		
DUE TO STATE BEEF COUNCILS AND OTHER	\$ 944	\$ 875
COMMITMENTS (Note 2)		
FUND BALANCES (Note 5):		
Appropriated for budgeted expenditures	16,589,509	19,845,645
Board reserve	5,000,000	5,000,000
Unappropriated	6,642,508	4,457,468
Investment in equipment, net	9,503	7,008
	<u>28,241,520</u>	<u>29,310,121</u>
Total liabilities and fund balances	<u>\$28,242,464</u>	<u>\$29,310,996</u>

Statements of Revenues and Expenses and Changes in Fund Balances

(Modified Cash Basis, Note 2) For the Years Ended September 30, 2000 AND 1999

REVENUES	2000	1999
Assessments (Note 1)	\$48,068,845	\$45,414,763
Interest	1,607,962	1,689,771
Other	24,465	22,841
Total revenues	<u>49,701,272</u>	<u>47,127,375</u>
EXPENSES		
Program-		
Promotion	29,028,696	25,010,938
Research	4,284,065	3,741,632
Consumer Information	6,809,609	6,320,225
Industry Information	1,948,653	2,013,542
Foreign Marketing	4,801,628	5,209,643
Producer Communications	1,854,930	2,893,238
Program Evaluation	136,411	113,661
Program Development	84,744	83,559
Total program expenses	<u>48,948,736</u>	<u>45,386,438</u>
USDA Oversight	176,502	147,226
Administration (Note 4)	1,644,635	1,553,599
Total expenses	<u>50,769,873</u>	<u>47,087,263</u>
(Deficiency) excess of revenues over expenses (Note 2)	(1,068,601)	40,112
BEGINNING FUND BALANCES	<u>29,310,121</u>	<u>29,270,009</u>
ENDING FUND BALANCES	<u>\$28,241,520</u>	<u>\$29,310,121</u>

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000 AND 1999**

(1) ORGANIZATION

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 110 members who are representatives of the cattle industry in the United States, including importers.

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 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. 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, 2000 and 1999, there were assessment receivables of approximately \$6,700,000 and \$6,600,000, interest receivables of approximately \$342,000 and \$329,000, and accounts payable of approximately \$5,800,000 and \$4,800,000, 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 and Cash Equivalents

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.

(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, 2000, by investment type, are as follows.

	Cash and Cash Equivalents	Short-Term Investments	Total Book Value	Total Market Value
Demand Deposit Account	\$ 135	\$ -	\$ 135	\$ 135
U.S. Government Securities	2,011,000	26,305,128	28,316,128	28,400,549
Less - Outstanding Checks	(84,578)	-	(84,578)	(84,578)
Total	\$1,926,557	\$26,305,128	\$28,231,685	\$28,316,106

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 expenditures for the administration of the program to 5% or less of projected revenues. Projected revenues were \$45,000,000 for 2000 and 1999. Accordingly, the administrative expenses incurred by the Board were limited to \$2,250,000 in 2000 and 1999. Administrative expenses incurred by the Board (versus modified cash basis amounts as reflected in the accompanying statements of revenues and expenses and changes in fund balances) were approximately \$1,696,000 (3.8% of projected revenues) in 2000 and \$1,535,000 (3.4% of projected revenues) in 1999. Expressed as a percentage of actual revenues, the Board's administrative expenses were 3.4% in 2000 and 3.3% in 1999.

On February 1, 1996, concurrent with the formation of the National Cattlemen's Beef Association ("NCBA"), the Board entered into an Administrative Services Agreement with NCBA whereby NCBA agreed to provide certain administrative and accounting services to the Board in return for reimbursement of all direct and indirect costs related to the provided services. During 2000 and 1999, respectively, the Board paid NCBA approximately \$133,000 and \$493,000 related to this agreement. The decrease in the amount of administrative services costs paid to NCBA during 2000 was the result of the Board

hiring four employees whose positions were previously contracted with NCBA. The Board leases office facilities from NCBA under an operating lease which expires in December 2000. Payments required by the lease were approximately \$44,000 in 2000 and \$31,000 in 1999. Future payments required by the lease are approximately \$9,000 in 2001 (three 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, 2000, \$6,642,508 of the fund balance has not been appropriated by the Board and is available for budgeting to the various program areas.

(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.

(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 \$62,000 and \$39,000 in 2000 and 1999, respectively. The increase in pension expense for 2000 was the result of the Board hiring four employees whose positions were previously contracted with NCBA.

(8) STATUS OF PETITIONS (UNAUDITED)

On November 12, 1999, the U.S. Department of Agriculture ("USDA") received petitions, reportedly signed by beef producers, asking for a referendum on whether or not to continue the mandatory beef checkoff program. Representatives of USDA have indicated to the Board that USDA will conduct a validation process to determine whether the petitions were signed by eligible beef producers and whether the required number of valid signatures were submitted (approximately 107,000). USDA has also cited the organization which submitted the petitions for using deceptive and misleading practices in obtaining the signatures and warned the organization to discontinue those practices.

If USDA determines the required number of valid signatures were submitted, then the Secretary will determine whether a vote on the checkoff program will be conducted. The Board estimates it may be required to expend \$3,000,000 or more to reimburse USDA for its costs and other related referendum expenses. If a referendum is held and the negative votes prevail, the Board would be expected to cease collecting assessments within six months.

Exhibit I: Supplementary Statements of Assessment revenues by state

(Modified Cash Basis, Note 2) For the Years Ended September 30, 2000 and 1999

ASSESSMENT REVENUES:	2000	1999
Qualified State Beef Councils-		
Alabama	\$ 542,958	\$ 508,433
Arizona	364,086	313,218
Arkansas	508,534	529,197
California	1,497,179	1,386,489
Colorado	2,074,672	1,932,067
Delaware	8,089	7,947
Florida	426,653	417,663
Georgia	418,836	395,574
Hawaii	17,646	11,142
Idaho	981,312	812,890
Illinois	458,899	460,699
Indiana	273,486	274,336
Iowa	1,743,860	1,626,741
Kansas	4,157,281	3,872,361
Kentucky	734,757	787,232
Louisiana	279,410	277,698
Maine	15,296	17,334
Maryland	59,817	57,593
Michigan	236,157	248,888
Minnesota	739,351	727,025
Mississippi	382,374	432,293
Missouri	1,567,784	1,428,207
Montana	1,024,803	911,047
Nebraska	4,075,691	3,755,304
Nevada	158,831	143,155
New Jersey	9,526	9,934
New Mexico	583,119	560,189
New York	345,291	327,812
North Carolina	258,527	237,806
North Dakota	593,116	587,754
Ohio	360,520	351,570
Oklahoma	2,263,776	2,207,828
Oregon	506,469	451,411
Pennsylvania	456,734	444,831
South Carolina	138,861	124,988
South Dakota	1,388,389	1,379,846
Tennessee	631,369	597,078
Texas	6,517,594	6,392,780
Utah	264,587	246,399
Vermont	64,228	62,893
Virginia	454,166	470,046
Washington	592,329	531,020
West Virginia	124,449	125,454
Wisconsin	866,120	825,966
Wyoming	609,268	520,270
Total Qualified State Beef Councils	39,776,200	37,790,408
States Without Qualified State Beef Councils-		
Alaska	640	586
Connecticut	20,806	19,856
Massachusetts	28,209	19,761
New Hampshire	15,482	14,168
Rhode Island	869	743
Total States Without Qualified State Beef Councils	66,006	55,114
Importers	8,226,639	7,569,241
Total Assessment Revenues	\$48,068,845	\$45,414,763

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

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