

GUIDELINES

**FOR THE APPROVAL OF PROGRAMS UNDER
THE BEEF PROMOTION AND RESEARCH ACT**



Approved by the Cattlemen's Beef Promotion and Research Board

July 1990

Approved by CBB Executive Committee on February 4, 1998

GUIDELINES FOR THE APPROVAL OF PROGRAMS UNDER THE BEEF PROMOTION AND RESEARCH ACT

The following guidelines are established to provide guidance to the Operating Committee and the State Beef Councils in the review of funding proposals under the Beef Promotion and Research Act of 1985. It is intended that these criteria be used to ensure that the specific proposal submitted meets the intent and the parameters of the Act. The explanatory notes are merely illustrative; they do not attempt to cover all issues and all explanations that are pertinent to the guidelines.

SECTION I

Authority for Collection and Expenditures of \$1.00 Checkoff:

The authority for the collection and expenditures of the \$1.00 checkoff is derived from the Beef Promotion and Research Act and Order (“Act and Order”). The Cattlemen’s Beef Promotion and Research Board (“Board”) was created by the Act. It has no previous existence. It is a creature created by the Act and derives its authority exclusively from the Act and Order. It has no inherent authority or natural functions.

Qualified State Beef Councils (“QSBCs”) are also a creature of the Act and Order. As such, they derive their authority to expend funds collected under the federal program from the Act and Order. QSBCs must apply to the Board for certification as a QSBC. In doing so, the QSBCs agree to carry out those activities authorized by the Act and Order. All funds collected under the Act and Order, including those funds expended by QSBCs must be spent on activities authorized by the Act and Order.

Should a QSBC fail to carry out its responsibilities as a QSBC or conduct activities which are not authorized by the Act and Order, the Board is required to terminate its status as a QSBC.

Expenditure of Funds for Activities Not Authorized by the Act and Order:

All funds collected under the Act and Order must be spent on activities authorized by the Act and Order, including funds expended by QSBCs.

Should a state beef council desire to sponsor activities which are outside the authority provided under the Act but within the QSBC’s state law, such activities must be funded from sources other than the \$1.00 federal checkoff program. Any sums exceeding the \$1.00 assessment collected under the Act and Order would not be subject to the spending authority of the Act and Order.

SECTION II

Application of Guidelines:

These guidelines for expenditures apply to all funds collected under the Federal Act and Order, including those funds received by QSBCs.

In addition, these guidelines apply to interest earned on investments of funds received under the Federal Act and proceeds derived from activities funded with checkoff dollars collected under the Federal Act.

SECTION III

Philosophy of the Federal Checkoff:

The Act established a program that is intended to fund and implement a coordinated nationwide effort to maintain and expand domestic and foreign markets and uses for beef and beef products.

The focus of this program is not activities relating to the production or marketing of cattle. The intent is to increase demand for beef and beef products for the benefit of the cattle industry.

Included within the structure of this program was the express desire to promote coordination of state and national efforts. In fact, the Board is charged with the duty to encourage coordination of programs.

Finally, since every producer and importer is required to contribute under the Act, expenditures of checkoff funds should benefit the entire industry or a large segment of the industry and should not benefit primarily an individual or small groups of individuals.

SECTION IV

Guidelines for Expenditures:

The authority for expenditure of the \$1.00 checkoff comes exclusively from the Federal Act and Order and does not derive from state law.

1. There is no authority and the Act and Order specifically prohibits expenditure of checkoff dollars for the purpose of influencing governmental actions (i.e. lobbying).
2. There is no authority and the Act and Order specifically prohibits funds from being expended on programs which include deceptive acts or practices with respect to the quality, value, or use of any competing product.
3. There is no authority in the Act and Order to expend funds on projects which include brand or trade names of beef or beef products unless the Board and the Secretary of Agriculture specifically approve such expenditure.
4. There is no authority in the Act and Order which authorizes the expenditure of funds to be used to promote or research programs, methods, or technologies which primarily relate to live cattle production or marketing. (See explanatory note on page 6.)
5. There is no authority in the Act and Order to expend funds to sponsor contests, cattle shows or sales, scholarships, awards, or other cattle related activities which are not directly related to the marketing of beef or beef products. (See explanatory note on page 6.)
6. There exists authority in the Act and Order to expend funds on activities, including paid advertising, to advance the image and desirability of **beef and beef products** as defined in the Act and Order, with the express intent of improving the competitive position and stimulating sales of beef and beef products in the marketplace.
7. There exists authority in the Act and Order to conduct studies relative to the effectiveness of market development and promotion efforts, studies relating to the nutritional value of **beef and beef products**, other related food science research, and new product development.

8. There exists authority in the Act and Order which allows the expenditure of funds for activities that will compile and provide nutritional data and other information that will assist consumers and other persons in making evaluations and decisions regarding the purchasing, preparing, and use of **beef and beef products.**
9. There exists authority in the Act and Order which allows the expenditure of funds for the development of information or conduct of programs that will lead to the development of new markets, marketing strategies, increased efficiency and activities to enhance the image of the cattle industry with respect to **beef and beef products.** (See explanatory note on page 6.)
10. There exists authority in the Act and Order to expend funds for programs which provide factual information to consumers and the public relating to **beef and beef product** production practices and its effect on the environment, food safety issues, and animal husbandry practices.
11. There exists authority in the Act and Order to expend funds to inform producers of activities conducted with checkoff funds and to solicit information from producers relating to the establishment of program priorities and concerns.

Explanatory Note on Guidelines 4 and 5:

Projects funded with checkoff funds must relate directly to enhancing the marketing conditions of beef and beef products. It was not the intent of Congress in the establishment of the federal program to authorize funds to be expended for live cattle sales, promotion trips relating to live cattle, research relating to animal disease which does not directly relate to enhancing beef for the consumer, and other projects relating to the live animal which do not directly relate to the end product to the consumer, namely beef.

The Act and Order authorize activities which focus on the quality and acceptability of the end product, beef. Therefore, studies or projects involving live cattle are authorized, **provided** that the objective of the activity is clearly to enhance the quality, safety, and consumer acceptability of beef and beef products. Studies or projects on live animals for which the objective is to enhance productivity, such as fertility, growth rate, and other measures which relate to cattle production efficiency, are not authorized.

In addition, while the program was intended to enhance the marketing conditions for beef and beef products, it was not intended that this program would compete with entrepreneurial efforts to advance technology in the beef industry. Selective breeding and genetics by individual producers provides a competitive advantage to those producers in the marketplace. It was not the intent that this program would compete with or undermine these individual efforts. As a result, projects funded with checkoff dollars should not place the competitive positions of individual producers at a disadvantage.

Explanatory Note on Guideline 10:

The legislation authorized activities which would ensure that the consumer perception of beef and beef products is favorable as it relates both to foods and nutritional value as well as to public issues. This could include, for example, the provision of factual information regarding the relationship of the production of cattle and the environment, food safety issues, and animal husbandry practices.

ANNUAL FINANCIAL REPORT GUIDELINES

General:

1. **Due Date:** Annual financial information that complies with reporting guidelines to be sent to the Beef Board within 120 days of the end of the QSBC's fiscal year.
2. **Beef Board Acknowledgement:** The Beef Board to acknowledge in writing the receipt of annual financial information from a QSBC within 7 days after receiving the information.
3. **Notification That Annual Financial Information Meets Reporting Guidelines:** The Beef Board to notify the QSBC in writing whether the financial report meets the reporting guidelines within 30 days of receipt. If rejected, the Beef Board will report the specific reason(s) in writing to the QSBC.
4. **Appeals:** A rejected report will automatically initiate the appeals process.
5. **Extensions:** If, for some reason, a QSBC cannot meet the filing deadline it can request an extension by writing the Beef Board **BEFORE** the 120-day period expires.

Delinquency Action:

1. **QSBC Executive Letter:** If a state becomes delinquent in submitting a financial audit, the Beef Board will immediately notify the QSBC's executive officer (on 121st day) in writing. This letter will indicate the QSBC has 30 days to submit the report. A copy of the letter will be sent to the QSBC Board chairman.
2. **QSBC Chairman Letter:** If a QSBC fails to respond within the 30 day grace period, the Beef Board shall immediately notify the chairman of the QSBC of the report's delinquency (on 151st day). This letter will indicate the QSBC has 30 days to comply. A copy of the letter will be sent to the executive officers of the QSBC.
3. **Beef Board Audit:** If the QSBC has not submitted the required financial information by the end of the 60 day period, the QSBC immediately becomes subject to decertification and an audit by an independent CPA, arranged for by the Beef Board but paid for by the QSBC (on the 181st day).

PROCESS FOR RESPONDING TO AREAS OF CONCERN

The Beef Board staff will utilize the following procedure to respond to a concern with a state program. Such response is limited to concerns about a program activity that is clearly beyond the general program guidelines of the Act and Order and would be considered to be out of compliance.

1. The Beef Board staff becomes aware of an area of concern.
2. Beef Board staff calls the QSBC about the area of concern for the purpose of getting additional information.
3. Beef Board staff follows with letter to either outline their concern or acknowledge that it has been resolved.
4. State Beef Council acknowledges phone call and letter and supplies any necessary information that may be requested.
5. If after review of the additional information the concern remains, the Beef Board staff may recommend how the activity could be altered to meet the guidelines.
6. Beef Board staff supplies the QSBC with appropriate information on which their recommendation is based.
7. In response, the QSBC may:
 - A. Alter the activity to be consistent with the general program guidelines of the Act and Order.
 - B. Delete the activity or agree not to pursue again.
 - C. Continue the activity in spite of the concerns raised by the Beef Board staff.
8. **QSBC Action:** Upon choosing one of the three alternatives listed above, the QSBC will acknowledge its choice in writing to the Beef Board staff.
9. **Beef Board Action:** Beef Board staff documents decision in appropriate QSBC file and notifies Executive Committee of the Beef Board if the QSBC has decided to continue the activity (7.C.).

10. Out of Compliance Procedures:

- A. If the QSBC chooses to continue the activity of concern, the Beef Board Executive Committee shall review the activity to verify that they agree or disagree with the staff concern and subsequent recommendation. Its decision is communicated to the appropriate state beef council staff and board by registered letter (return receipt requested).
- B. The QSBC will have the opportunity for a hearing before the Beef Board Executive Committee within 90 days of receipt of notification of non-compliance.
- C. If the Executive Committee's position is consistent with the Beef Board staff and the QSBC declines to modify or delete the activity that has been judged to be clearly out of compliance, the Executive Committee shall determine the length of probation for up to one year and the QSBC will be notified in writing. The QSBC's certification will be revoked if the activity is not altered or deleted.
- D. In the case of revocation, the Beef Board assumes the role of the QSBC with regard to assessment and compliance as it relates to the Federal Requirement and seeks a new Qualified State Beef Council for the applicable state. If the Executive Committee changes the certification revocation, the state is notified immediately.
- E. Any decision to keep a QSBC on probation will be the responsibility of the Executive Committee.

GUIDELINES FOR SUBMITTING A STATE MARKETING PLAN FOR BEEF BOARD REVIEW

General Guidelines:

The purpose for submitting a plan is to provide the Beef Board a brief description of programs currently being conducted by a QSBC so that the Board has a reasonable assurance that these programs are generally consistent with the program guidelines of the Act and Order. The Beef Board's review of a marketing plan is strictly limited to providing such reasonable assurance. The review **SHALL NOT**, in any manner, be used to approve or disapprove a plan, or to attempt to influence or cause change in a QSBC's program activities unless an activity is found to be outside the program guidelines of the Act and Order.

1. **Due Date:** A QSBC's annual marketing plan will be submitted within 45 days after the beginning of the QSBC's fiscal year.
2. **Beef Board Acknowledgement:** The Beef Board will acknowledge in writing its receipt of a marketing plan from a QSBC within 7 days after receiving the plan.
3. **Plan Review:** The Beef Board will review the plan **ONLY** for the purpose of gaining a reasonable assurance that the programs being conducted by the QSBC are generally consistent with the program guidelines of the Act and Order.
4. **Extensions:** If a QSBC cannot meet the deadline for submittal, an extension can be requested by writing the Beef Board before the 45-day period expires.

Delinquency Action:

1. **QSBC Executive Letter:** If a QSBC becomes delinquent in submitting a marketing plan, the Beef Board will immediately notify the QSBC's executive officer in writing, with a copy to the chairman. The letter will indicate the QSBC has 15 days to submit the plan.
2. **QSBC Chairman Letter:** If the QSBC fails to respond within the initial 15 day grace period, the Beef Board will immediately notify the chairman of the plan's delinquency. This letter will indicate the QSBC has 30 days to submit the plan. A copy of the letter will be sent to the executive officer of the QSBC.
3. **Beef Board Inquiry:** Failure to submit a marketing plan by the end of the extended grace period may make the QSBC subject to a Beef Board inquiry.

ATTACHMENT 2

Annual Financial Expenditure Report

QSBC

Fiscal Year

We certify that the expenditures of this Council, as depicted in this financial audit report, and as proposed in the Marketing Plan and Budget approved by this Council and submitted to the Cattlemen's Beef Promotion and Research Board, and any modifications of the Marketing Plan and/or Budget have been reviewed by this Council. The Council believes these reports, plans and budgets, and attached description of any modifications accurately reflect actual expenditures of this Council, and we further believe these expenditures meet the requirements of Sections 1260.181 and 1260.169 of the Beef Promotion and Research Order.

Further, this Council has received and reviewed financial reports from the following established, national industry-governed organizations. During that review, nothing came to this Council's attention that caused it to believe that funds invested in those organizations, if any, were not expended in accordance with the requirements of Sections 1260.181 and 1260.169 of the Beef Promotion and Research Order.

<u>Name of Industry Organization</u>	<u>Report Received & Reviewed</u>
National Cattlemen's Beef Association	<input type="checkbox"/>
U.S. Meat Export Federation	<input type="checkbox"/>
Other: _____	<input type="checkbox"/>
_____	<input type="checkbox"/>

State Executive

Council Chairman

Date: _____

Date: _____