R-CALF USA Urgent Member Alert

To: **R-CALF USA Members, Affiliates, and Friends**

From: **Bill Bullard, CEO**

Date: **August 6, 2014**

Subject: **New Checkoff Reform Proposal Is Smoke and Mirrors: NFU, LMA and Other Groups Expected to Vote by Aug. 15**

Background: In 2012, Former R-CALF USA Checkoff Committee Chair, the late Joel Gill, was banned by the National Farmers Union (NFU), the Livestock Marketing Association (LMA), the National Cattlemen's Beef Association (NCBA) and other groups from participating in an industry-wide meeting with USDA to develop a plan to restore the credibility of the Beef Checkoff Program. These groups were upset because R-CALF USA would not even consider an increase of the checkoff assessment to $2 until the ongoing abuses and conflicts of interest within the Beef Checkoff Program were fully resolved.

Freed from the constraints of the member-interests of R-CALF USA, which is the largest producer-only cattle trade association in the United States, the NFU, LMA, NCBA and other likeminded groups have now teamed up to formally propose an increase of the Beef Checkoff Program assessment to $2 per head.

Last week the above-named groups formally presented their joint proposal to increase the checkoff assessment to $2 to the Beef Checkoff Program's Cattlemen's Beef Board (CBB), which promptly voted to proceed with the proposal.

The next approval step is for the proposal to be formally approved by the NFU, LMA, NCBA and the other groups listed below. It is expected that this approval is to take place as early as August 15.

The Joint Proposal:

The joint proposal presented last week to the CBB included:

1. Raising the checkoff to $2, with all or part of the second dollar to be refundable.
2. Establishing a system where 10% of producers could vote every 3, 5, 7 or 10 years to initiate a referendum.
3. Reducing the number of officers from the CBB and the Federation of State Beef Councils (Federation) that are automatically seated on the Beef Checkoff Program's Operating Committee to include only the Chairs of each group.
4. Creating a new 27-member nominating committee for the Operating Committee. The new nominating committee would consist of 9 members each from the cattle industry, the CBB, and the Federation. Two thirds of the new 27-member nominating committee (18 members) would be required to seat each of the 20 members of the Operating Committee (except for the two chairs as discussed in Item 3), and no organization would have more than 4 representatives on the Operating Committee.

Only the first and last items are substantial, but as discussed further below, they will result in more conflicts of interest and likely more abuses, mainly because there will be twice the money to mismanage and the structural changes to the committee do not diminish the NCBA's dominant control over the Beef Checkoff Program. It is also noteworthy that the U.S. Supreme Court has declared the checkoff assessments a tax and the Secretary of Agriculture cannot increase that tax by a rulemaking - only Congress has the authority to raise taxes.

The full list of organizations supporting the proposal include: National Farmers Union (NFU), Livestock Marketing Association (LMA), National Cattlemen's Beef Association (NCBA), National

Livestock Producers Association (NLPA), American Farm Bureau Federation (AFBF), United States Cattlemen's Association (USCA), American National CattleWomen (ANCW), the Federation of State Beef Councils (FSBC), and the Cattlemen's Beef Board (CBB).

Action: For the reasons stated below, R-CALF USA views this new proposal as nothing more than smoke and mirrors - a diversion designed to stall any meaningful effort to restore for U.S. cattle producers a program that effectively and efficiently promotes beef and is accountable to the producers who fund the program.

If you are a member of any of the above listed organizations, please contact their leadership as quickly as possible to urge them to reject this ill-conceived proposal.

Why the Checkoff Proposal is Bad, Very Bad:
New Checkoff Proposal Is Smoke and Mirrors

The following organizations joined with the National Cattlemen's Beef Association (NCBA) to circulate a proposal to raise the mandatory producer assessment collected by the federal Beef Checkoff Program from $1 per head to $2 per head:

The National Farmers Union (NFU), Livestock Marketing Association (LMA), United States Cattlemen's Association (USCA), American National CattleWomen (ANCW), National Livestock Producers Association (NLPA), and the American Farm Bureau Federation (AFBF).

The United States Supreme Court has declared that mandatory Beef Checkoff Program assessments are a federal tax imposed on all U.S. cattle producers to fund government speech.

The major trade-off for agreeing to raise the NCBA-controlled Beef Checkoff Program's tax is a proposal to establish a new nominating committee for the Beef Checkoff Program Operating Committee. The new 27-member nominating committee would include nine representatives each from the cattle industry, from the Cattlemen's Beef Board (CBB), and from the Federation of State Beef Councils (Federation). These nine representatives from each of the three groups would then vote to appoint members to the Beef Checkoff Program Operating Committee.

That's right. In return for a 100% tax increase, there would be changes only to the Operating Committee's nominating process. The proposed changes do nothing to limit NCBA's control. NCBA's control is solidly preserved because the new nominating committee would still select Operating Committee members from the same two groups they are selected from today - the CBB and the NCBA-aligned Federation - and, because a supermajority vote is required to seat an Operating Committee member, it would take only 10 of the new 27-member nominating committee members to nix the appointment of any nominee the NCBA did not like.

The Federation, which is housed and administered by the NCBA, is comprised mostly of NCBA members. The new proposal worsens the current conflict of interest because the NCBA-dominated Federation appoints one-half of the Operating Committee members who award multi-million dollar contracts back to NCBA (in fact, Federation directors are required to sign a loyalty pledge to NCBA). Under the new proposal, the other contracting and potential contracting organizations will likewise benefit from the conflicted system because they too will nominate - with NCBA's approval - people that can approve their contracts. By doubling the size of the tax pool, the proposal ensures there will be enough multi-million dollar contracts to line everyone's pockets without unduly affecting NCBA's major revenue source.

The above mentioned groups believe the 100 percent tax increase is a satisfactory trade-off for increasing their respective opportunities to receive Beef Checkoff Program funds (note that AFBF, NLPA and ANSW all have already applied to receive a share of the checkoff taxes). This proposal is nothing more than smoke and mirrors and should be rejected.

We urge all cattle producers to immediately request each of the above named organizations to reject this ill-conceived scheme designed to confiscate more taxes from U.S. cattle producers while preserving NCBA's control over the Beef Checkoff Program