

BEEF**V**

NORTH DAKOTA BEEF COMMISSION

2012 ANNUAL REPORT



From the Chairman:

It is an honor to be reporting to the North Dakota Beef Producers on programs made possible through your beef checkoff dollars.

2012 will go down as a good year although not without some challenges. Two back-to-back issues caused concern among consumers and producers as well, those being LFTB (lean finely textured beef) which became known as "pink slime" and then a case of BSE. These unfortunate events displayed to me the value of our tremendous state & national checkoff partnership. The issues management team our industry has working for us was ready for both issues and turned potentially volatile media events into almost "non-events" for our nation's beef producers.

Your ND Beef Commission members believe that the presence we have at the national and international level pays dividends to our beef producers back home in ND. Checkoff-funded programs in foreign markets,

developed by the USMEF (United States Meat Export Federation), have increased beef demand and added \$212 in value per animal that we sell. Our national promotion, research, education and issues management programs, coordinated primarily by the Federation of State Beef Councils of the National Cattlemen's Beef Association (NCBA), include many tools to help us communicate the message that we have a safe, wholesome, and nutritious product. With 29 lean cuts, 10 essential nutrients, and less than 1 gram more saturated fat than the same size serving of boneless, skinless chicken breast, we have a powerful story to tell consumers.

At the state level, I'm proud of the job your Beef Commission members have done promoting your product while, at the same time, working within tight budget constraints. Declining cattle numbers mean less checkoff dollars with much less buying power than when the checkoff program began. Consequently, programs are continually prioritized.

Please take time and review our annual report. Your opinion is important to us and we would welcome your ideas and suggestions.

Clark Price, NDBC Chairman

National and International Programs Critical

If we were to double the consumption of beef by North Dakota consumers, while impressive, it still wouldn't provide long-term markets for all of the beef produced in our state. That's why national and international markets for our beef are so important. North Dakota beef checkoff dollars are invested every year in programs through the NCBA Federation of State Beef Councils to extend our reach to consumers in more populated areas of the United States. Funds are also invested in the US Meat Export Federation to reach the other 96% of people around the world that represent huge markets for our product. These two partnerships have allowed ND producers to have extensive involvement in national and international beef promotion program development. Currently, the ND Beef Commission has two director seats on the US Meat Export Federation and three director seats on the Federation of State Beef Councils.

ND producer involved in big decisions

Our state does have influence in the national beef checkoff program. In 2012, Jerry Effertz, a rancher from Valva and member of the ND Beef Commission, was elected to the national Beef Promotion Operating Committee. This group of 20 beef producers is responsible for allocating national checkoff dollars into all program areas. With checkoff dollars declining due to shrinking cattle numbers in the US, the challenges faced by this group are great as they evaluate programs and have to make cuts to good and effective programs.



Spreading The Good News About Beef

BOLD Study is Main Event at Medical Conferences

Beef in an Optimal Lean Diet (BOLD) was the centerpiece at two important medical conferences funded, in part, with ND checkoff dollars. Physicians attending the ND Academy of Family Physicians fall conference and health professionals at the Upper Plains Cardio Pulmonary Rehabilitation Association conference were amazed as Michael Roussell, Ph.D., Penn State University, presented exciting national beef checkoff-funded nutrition research results.



His BOLD research findings are convincing even the most skeptical that lean beef can be included in heart-healthy diets while meeting the current recommended targets for saturated fat intake and beneficially affecting major cardiovascular risk factors. He also made time to let producers know about his great research with an interview with the Red River Farm Network.



Running With Beef

Whether it's a marathon, half-marathon, 5K run, or just a brisk walk, beef helps restore the body quickly after exercise. The ND Beef Commission was glad to work together with the ND CattleWomen this year to provide

over 2700 beef sticks for runners as they crossed the finish line at the Fargo Half-Marathon and at the first-ever ND CattleWomen "Beefin' It Up" run in Mandan.



Educators are key

Whether it's Family & Consumer Science teachers taking advantage of nutrition and cookery materials and Beef Mini-Grants or over 4000 4th grade students attending a Living Ag Classroom program in Fargo, Bismarck or Minot, the basics about beef and the beef industry are important messages that are conveyed at every opportunity.



From preschool to college, and with the help of the ND CattleWomen and NDSU Extension Service's "Eat Smart. Play Hard." Program, the message of beef's role in a healthy diet is spreading.

The NDSU BBQ BOOT CAMP program also takes the classroom to the consumer. By combining checkoff support with the knowledge and talent of the NDSU Animal Science Department and NDSU Extension Service, consumers learn almost everything there is to know from proper meat selection to seasoning and grilling techniques throughout a fun-filled evening of grilling and tasting.



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Producer Communication

Beef Quality Assurance

The ND Beef Quality Assurance program is 13 years old and educating producers about everything necessary to produce the best beef product from the gate to the plate. This program is the envy of most cow/calf states in the country because of the highly successful partnership between the ND Beef Commission and the NDSU Extension Service which makes it possible.



Updates and Annual Report

Beef producers are exposed to the varied programs their checkoff dollars make possible through the NDBC annual report published in the Farm & Ranch Guide's Livestock Guide and inserted in additional producer publications. The Beef Commission also participates in several statewide producer meetings reaching ND beef and dairy producers with current information on beef checkoff programs happening at the state, national and international level.



Research

Projects completed, additional studies in progress

This year saw the conclusion of two checkoff funded studies at NDSU, one involving the effects of growth promotants used in beef production and a second study about E.coli. New research projects are also beginning with the help of Beef Commission funding. These include another E.coli project, a study to compare red meat vs. high carbohydrate diets and insulin regulation, and a producer survey jointly funded with other commodity groups designed to provide baseline information needed to accomplish a goal of developing new profitable systems of production within the beef industry to meet the needs of a changing livestock industry in ND.

ND host to national meats conference

State and national checkoff dollars were invested in beef information and research sessions as the NDSU Animal Sciences Department hosted approximately 800 meat scientists at the prestigious American Meat Science Association's Reciprocal Meat Conference in Fargo.

Beef Promotion Highlights across ND

Military Events Great Successes

The Grand Forks Air Force Base played host to the second annual "BEEF IRON CHEF" competition as the Beef Commission partnered with their Commissary and Wellness Center. Teams came with grills, tents, camp stoves, generators and numerous other pieces of equipment as they prepared to WOW the judges with their rendition



of the best "FLAT



IRON" steak creation ever. Beef industry volunteers from the Beef Commission and ND Stockmen's Association also grilled burgers and all-beef hotdogs for over 800 active military members and their families. There is no doubt that the Air Force LOVES BEEF!

The ND State Fair returned with great enthusiasm after the devastating flood of 2011 and once again, the beef industry hosted a beef picnic on military day. Over 50 beef industry volunteers served 1,400 active, reserve and national guard members and their families.



Consumers get beef message

Whether it's summer grilling, beef for the holidays, or special cooking features and food shows, television, newspapers, magazines and food shows help keep the beef message in front of consumers year-round.



Consumer shows also are a great opportunity for consumers to visit with our beef experts. Whether it's a fair, holiday food and wine event, or beef cookery programs at various events, it's rewarding to provide great beef information that reassures consumers that beef is a great choice for their table.

NORTH DAKOTA BEEF COMMISSION



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Gabe Thompson, Jr., Vice Chairman
Kathy Tokach, Secretary

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Gabe Thompson, Jr, Antler
Kathy Tokach, St. Anthony

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Merle Jost, Grassy Butte
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DAIRY PRODUCER

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Pat Becker, Selfridge

NORTH DAKOTA BEEF COMMISSION

Combined statement of revenues, expenditures and changes in fund balances
JULY 1, 2011 -- JUNE 30, 2012

Revenue:

Checkoff Assessments.....	\$1,111,322
Less Remittance to States of Origin.....	(28,185)
Less Remittance to Cattlemen's Beef Board.....	(541,642)
Net Assessments.....	541,495
Other revenue- interest & receipts.....	10,029
Other revenue- Beef Gift Certificate sales.....	18,295
Net In-State Revenue.....	\$ 569,819

Expenditures:

International promotion.....	21,836
Promotion.....	41,874
Industry Information.....	10,000
Research.....	16,600
Consumer Information.....	95,272
National program development.....	156,004
Beef gift certificates.....	18,295
Administration.....	203,535
Operations.....	55,742
Total Expenses.....	\$ 619,158
Revenues over (under) expenses.....	\$ (49,339)
Fund Balance, July 1, 2011.....	\$ 262,777
Fund Balance, June 30, 2011.....	\$ 213,438

HISTORY CREATES BASE

for Proven Checkoff Program

When we learn from the past, we build a foundation for the future. Take the national Beef Checkoff Program, for example.

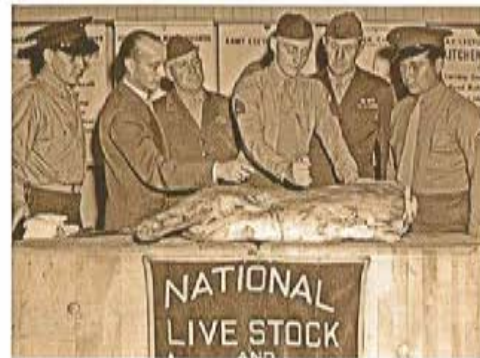
The current mandatory checkoff has its roots in demand-building efforts by the beef industry that began back in 1922, when agriculture's first checkoff effort was created in the National Live Stock and Meat Board. Adding to that foundation are state beef councils around the country, which were started as far back as the mid-1950s.

The first checkoffs were voluntary and collected at processing facilities. The assessments on producers were 10 cents per train carload on cattle, hogs and sheep – an amount that was matched by progressive processing companies that participated in the program.

In 1963, the Meat Board created species divisions that would help provide focus to individual meats. That's when the Beef Industry Council (BIC) was formed, with guidance and support from state beef councils from around the country.

When the mandatory \$1-per-head Beef Checkoff Program was instituted in 1986, the BIC was identified in the Beef Promotion Order as the Federation of State Beef Councils, which would help identify programs to fund and represent Qualified State Beef Councils at the national level. When the National Cattlemen's Association merged with the Meat Board in 1996, a Federation Division was created, making the new Federation of State Beef Councils the successor to the BIC.

While improvements have been made along the way, many of the concepts established back in 1922, with additional focus in 1963, are intact in 2012. Today, the Federation remains dedicated to supporting the work of both state beef councils and the national Beef Checkoff Program through its work in beef research, information and promotion. 🍷



What's In a Name?

Why do some state promotion governing bodies have boards, while others have councils or commissions?

The answer is that the bodies are controlled by grassroots producers in each state, who establish all aspects of how beef promoting efforts will be run.

Regardless of their name, beef promotion entities in 45 states are considered Qualified State Beef Councils, and authorized by the USDA to collect the full \$1-per-head national checkoff assessment. They remit half to the Cattlemen's Beef Board for national and international promotions, research and information programs. The other 50 cents remains under the control of the state's board of directors for investment in qualified demand-building programs.

Individual producers who get involved in all aspects of the decision-making process at both the state and national level assure grassroots control – something all beef producers can support. 🍷

Did You Know...

- Because of its independent nature, the Meat Board was asked in the late 1920s to help develop criteria for a national beef grading system, and the U.S. Department of Agriculture would base its grading program on those standards;
- In the 1970s it was found that consumers were confused by different names for the same cut of meat, therefore a Uniform Retail Meat Identity Standards program was created by the Meat Board that helped make cut names more uniform nationally;
- In the 1960s and 70s, the BIC worked every year with the American National CowBelles (now the American National CattleWomen) on a "Beef For Father's Day" promotion across the country. Millions of consumers were reached through the campaigns;
- A consumer boycott of red meat in the Spring of 1973 highlighted the value of a checkoff-based industry response to societal issues (and underscored the need for more resources). The industry joined forces in a "Beef Steak Strategy" through the BIC to reach out to consumers, helping educate them through media outlets such as *The New York Times*, *The Wall Street Journal*, *Time*, *Newsweek*, and NBC-TV's *The Today Show*. 🍷



Third Time is a Checkoff Charm

The Beef Checkoff Program passed by producers in a 1988 referendum by an almost 4-1 margin wasn't the first beef industry effort to create a uniform national checkoff. In 1977, a program was proposed that would have assessed 2/10th of one percent of an animal's value at slaughter to fund a top-down organization – with a minimal role for state beef councils. It was voted down by producers.

In 1980, a similar proposal was overwhelmingly defeated. After that defeat, the industry went back to the drawing board to determine what kind of program producers really wanted.

An extensive survey found that producers sought a program that was jointly controlled by a state and national effort; utilized existing organizations (like the BIC and United States Meat Export Federation) to conduct programs, without creating new promotion organizations; and a program that used a method of collecting a set amount at the time of sale.

The \$1-per-head assessment and the Beef Checkoff Program were the result. Surveys conducted on a regular basis by an independent research firm show that producers remain supportive of this effort. In the last survey conducted in July 2012, 74 percent of producers supported the beef checkoff, and eight of 10 said they thought the checkoff had helped contribute to a positive trend in beef demand. 🍷

GETTING A GRIP ON THE FUTURE

It doesn't take a crystal ball to know the beef industry has plenty of marketing changes in store over the next 50 years. If the decreasing cattle herd and changing weather patterns aren't good enough indicators, technology and the mercurial consumer should suggest that we're in for quite a ride.

Consumer demographic and behavioral trends suggest the beef industry can expect many changes. Based on current developments we would not be surprised to see:

New merchandising options.

Households comprised of one or two persons now represent 62 percent of the total U.S. households. Retailers are going to need plenty of merchandising options as they reach out to these consumers.

Technology driving decision-making.

Millennials – those 80 million consumers who were born between about 1980 and 2000 – use social media to make many of their decisions, as well as increase their knowledge base. What kind of instant messaging will drive millennial decisions and knowledge tomorrow?

Ethnic shifts change the marketing landscape.

Hispanics will grow from 16 to 30 percent of U.S. households from 2010 to 2050. Not only will culinary tastes shift, but the beef industry must be able to meet the needs of increasingly diverse consumer palates.

More new beef cuts for the budget-conscious.

The beef industry has developed several new beef cuts (Denver Cut, Flat Iron Steak) that have helped make steak-eating more affordable, and increased the value of the carcass. Today, about half of U.S. households are at low to moderate income levels. Innovation is needed to find affordable beef options for all income levels.

More convenient beef products.

Nearly one-third of consumers think that 40 minutes from start to table is too long to wait for their meals, 70 percent say that an hour is too long. In addition, 70 percent of women are now working, so convenience is paramount. While ground beef has been the "fall-back" product for the time-conscious, more convenient whole muscle cuts could boost demand.

Summary

As we look down the road, these and other trends stand out as particularly relevant to beef producers. Obviously, no one can predict the future; however, it makes sense for the beef industry to be prepared for one. 🐾

THE CHECKOFF IN 2012



Today, aggressive check-off-funded programs are reaching their target audiences with positive messages about beef. These programs include:

NUTRITION RESEARCH, such as the Beef in an Optimal Lean Diet (BOLD) study that demonstrates eating lean beef every day can be good for heart health;

SAFETY RESEARCH, which searches for solutions to safety challenges to further enhance the industry's safety record;

HEALTH PROFESSIONAL EDUCATION, which extends scientific research about beef nutrition to the country's leading health professionals through organizations like the Academy of Nutrition and Dietetics;

ADVERTISING, which takes advantage of consumer recognition of the checkoff's "Beef. It's What's For Dinner" campaign through print, radio and online video advertising;

FOODSERVICE AND RETAIL PROMOTIONS, such as a new BEEFflexible for Foodservice campaign to promote the value and versatility of steak, and a refreshed version of the BeefRetail.org website;

ISSUES MANAGEMENT, which helps protect the industry against unfounded attacks and provides accurate information about beef issues. To help debunk beef myths, a FactsAboutBeef.com website was created to address animal care, the environment, nutrition and safety;

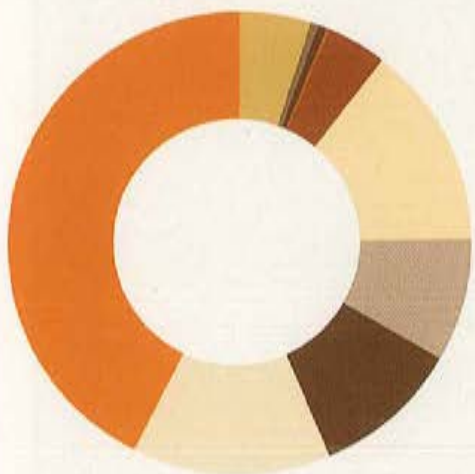
BEEF QUALITY ASSURANCE, where producers are encouraged to follow guidelines that encourage better beef production. Released in 2012, the 2011 National Beef Quality Audit provided industry guideposts for improving the U.S. beef supply;

INFORMATION, with booklets like Basics About Beef, a full color, 24-page booklet designed to help consumers get optimal value when buying beef;

VEAL PROMOTION, with a Facebook summer grilling photo contest generating awareness of veal and a Twitter handle posting local veal specials at retail and in restaurants; and

INTERNATIONAL PROMOTIONS, which are helping raise awareness of beef's value in dozens of countries around the world. 🐾

CATTLEMEN'S BEEF BOARD Fiscal Year 2011 Expenditures



Expenditures

Program Expenses:

■ Promotion	\$18,497,850
■ Research	\$5,719,714
■ Consumer Information	\$4,513,478
■ Industry Information	\$3,866,592
■ Foreign Marketing	\$6,129,529
■ Producer Communications	\$1,745,326
■ Producer Evaluation.....	\$131,674
■ Program Development	\$198,498
Total Program Expenses:	\$40,802,661
■ USDA Oversight	\$211,064
■ Administration	\$1,632,467
Total Expenses:	\$42,646,192

*Chart shows 2012 unaudited numbers