

# The New Beef and Pork Promotion Programs

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Good afternoon and welcome to this session on new beef and pork promotion programs. We are in Room 155. If you do not want to talk about promotion check-off for the next 60 minutes, you are on the wrong flight and going to the wrong place.

I welcome this opportunity very much as it is an area in which I have spent a considerable amount of time since I have had the privilege of being with the Meat Board. What I will have to work at this afternoon is keeping this presentation to 15 minutes, so we can get down to what we are really here to do; that is to get into a question and answer session. So I will try to watch my time and we will walk through this fairly quickly.

New Beef and Pork Promotion Programs! First, I would like to share with you a quote from the *National Provisioner*. It says: "One of the outstanding factors operative for the last two decades has been the development of propaganda, an impression that meat is harmful to you." It goes on to say, "In this connection, meat has been misrepresented in a damaging fashion in a widespread way. The food value of meat has been misstated. Its place in the diet has been minimized and its healthfulness challenged. People are naturally sensitive to any propaganda relating to their health. They are quick to avoid foods that are said to be harmful, and this way, the public has no doubt been materially influenced. Almost every food interest has made some comparison of its product with ours, to the detriment of meat. Many of these comparisons have not reflected the true facts from a scientific standpoint."

You may ask what can be done to counteract the declining consumption of meat? There are many things! Time will permit me to mention only a few of them as a general outline. That particular issue of the *National Provisioner* was dated January 21, 1922. The speaker was Thomas Wilson, at the American National Livestock Association Convention in Colorado Springs, and it was an hour after he gave that speech that they ratified the coalition to move forward with

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the Meat Board. The National Swine Growers, KLA, Texas & Southwestern Cattle Raisers and the Farm Bureau had already approved it in previous meetings. So in 1922, the first check-off started with a fee of five cents per carload of cattle, five cents per carload of hogs and five cents per carload of lambs and the collecting packer matched it.

One of the things that we are very proud of at the Meat Board (and that really the livestock meat industry should be proud of) is that we hear so much about self-help programs and check-offs, but the first check-off in American agriculture by producers was that check-off program which started in 1922. So, very quickly I want to walk through a time line with you to try to put these new programs in perspective! We are not going to spend a lot of time on history, but we need to know where we have been, if we are going to know where we are headed. I think when we get to our current programs, you will agree it is a little bit like the Tide commercials. We probably should be saying that they are new and improved because they are not just new! So from 1922 to 1953, there was the Meat Board check-off; and in that period of time, the only check-off for the livestock industry was the Meat Board check-off. In 1954, Congress passed the Wool Act which provided authority for lamb producers to set aside part of their incentive payments to create a promotion program. It was not like the other check-off programs because the incentive payments came from import tariffs. The funds were not generated in the same way the others were, but it was the first major change in the livestock industries for promotion programs.

From 1955 to 1960, the National Beef Council and several state councils were formed. Some of you in this room perhaps will recall the late 1950's when the National Beef Council started and it was a voluntary check-off of 10 cents a head. The Meat Board check-off at that time was 2 cents per head on cattle. And there were many state councils and a lot of beef producers at the state level who wanted to do more.

## The DeGraff Study

The key benchmark for the Meat Board came in 1962; that was when the Meat Board adopted what we call the DeGraff Study, which created the Beef Industry Council, the Pork Industry Group and the Lamb Committee. It was the first time the Meat Board had been organized into species divisions. Late in 1962, the old National Beef Council (which many of you in this room have not heard of) got into some financial troubles. They became obligated to an advertising agency for some programs and for that and other reasons, did not have enough money to pay their bills. Organizationally, this was

the turning-point of the Meat Board because the Beef Committee of the Meat Board was then merged with the old National Beef Council and became the headquarters for the emerging Federation of State Beef Councils.

The next key evolution that had a tremendous impact (and you may be a little surprised that I am putting this on a check-off time table) was the beef boycott. The April Fool's week boycott was something new to our industry! We had never quite seen the power of the television medium to take a few women, turn a few placards and create an issue. One of the classic examples that I will always remember in Chicago was a lady from Skokie who claimed that she spoke for 60 million women and she was having a little march over at the Chicago Mercantile Exchange. We sent some staff over to observe. She showed up right on time, about 11:45 with a bundle of placards or sign cards, and two or three other ladies showed up. When it got to be about noon, she went across the street and got some of the "hard-hats" who were working across the street and gave them signs. She got some of the people walking along the street to carry the signs with them; then the television camera showed up about 12:10 and recorded all that. The television people left and the march was over in five minutes after they had left. But that evening, it was network news!

The boycott was motivated more by inflation, in my opinion, and beef was simply the symbol. But out of that, the beef industry started to evaluate their relationship with the marketplace, and the question was asked by many in the beef industry: Are we doing enough? A study committee emerged and from 1977 to 1980 was the time the beef industry tried to get the enabling legislation for a uniform check-off. Now, we are aware that those two referendums failed. In 1985, the Farm Act included the provision for pork promotion and beef promotion. That is basically the time-table of the way that the check-off has evolved from the nickel per-carload of cattle, hogs and lambs to today's organizational structure.

### The Beef Program

Involved in the beef industry program are dairy and veal producers in addition to our regular cow/calf and feedlot operations. For a moment, if you would just erase in your mind all organizations that exist in the beef industry, I am going to organize this industry right! There are so many organizations, it is a mess! If you think about it a little bit, the beef industry is unique. It is the only agricultural commodity that has 20% of their production come as a by-product of another industry where they do not even think of themselves as cattlemen! It's the only commodity where the animal or the product changes hands 2½ times from the time it's born on the farm or puts the seeds in the ground until it's marketed. So even within the beef sector, you have all of these different segments. You have the cow/calf producer, stocker-operator, feedlot, you've got all the regional differences. So in organizing the cattle industry, when you want all segments to pay, you must think in terms of beef, dairy and veal and that makes it, perhaps, a little more difficult!

There was a state beef council that started to evolve in the mid-50's; and currently there are 41 state councils and that has kept evolving from the mid 50's, and of course there are existing state cattle, dairy and veal associations as well as

the general farm organizations. Those aspects existed before the beef industry went to Congress. When the industry started writing their bill this time around, they wanted to put it in on top of what exists! It's very important to have that in mind. They didn't want to create another big organizational structure!

However, you can't use the power of the Federal Government for enabling legislation unless they also have the power to set the administrative policy body. So they had to create a Cattlemen's Beef Board. Of course, the Beef Industry Council was already affiliated with the state councils. The first new thing we've come along to is here. This Board did not exist preceding the passage of the act.

Now we could debate the size of the Board and I would not debate it with you very long. It has 113 members, and the way it's arrived at is that a 500,000 cattle inventory gets the first director and an additional director for each million cattle in inventory. The rationale was that they wanted to get as much of the industry involved as possible and if you make that Board too small, you're going to have a lot of states that won't have representation. And in 30 of those states, the sale of cattle is the number one or two cash income to ranchers and farmers. Nevada, for example, has just over 500,000 head of cattle, but the cattle industry in Nevada is the number one industry and they would feel pretty hurt, and rightfully so, if they did not have representation.

Here is where we start bringing it together. The Beef Board elects 10 of its 113 members to the Operating Committee and the Beef Industry Council elects 10. These 20 people have the responsibility for developing the budget, contracting with industry organizations, and the Act states very clearly that they must work with national industry-owned and governed organizations. The reason, as I mentioned earlier, is that they start off with the premise that they don't want to duplicate. So to date, those are basically the key organizations which have received grants, and we will come back to that a little bit later.

The dollar goes first to the State Beef Council in the 41 states where there's a beef council. In the other nine states, they keep 50 cents and 50 cents must go direct to the Cattlemen's Board. Now the 50 cents that stays in-state does not necessarily mean that the 50 cents has to be spent for in-state programs. It's the same sharing between the state council and the Beef Industry Council that, of course, existed before the Federal Legislation passed. All right, let's wind up the beef industry program very quickly. There are some key things that are different from the beef referendum that they voted on in 1980, and these differences are based on surveys of cattlemen who said the way they wanted the program. Number one: They did not want a percentage. Number two, was value added? Right or wrong, we all could sit and argue, and I personally think the pork people have a leg up with the percentage, but the cattlemen did not want it, so that's why it's \$1 per head. They wanted the importers to pay the same amount as before. The other referendum would have exempted the importers. They wanted to put a cap on administration. It could be no higher than 5% of the total receipts that could go for administration. And fourth and equally important, they wanted local control, and that's why the money goes first to the State Beef Council. The Beef Council keeps the 50 cents. They determine "in-state" how

that 50 cents is going to be used, then the rest goes on to the Beef Board who has the authority for that. We will discuss that a little bit later, I am sure, in the discussion sessions.

### The Pork Program

Let me move to pork. Let me say first of all that the pork industry in 1967 in organizing the National Pork Producers Council and their state councils had a far more streamlined organizational structure than the beef industry did, and it's to their credit. I think part of that is due to the differences in the industry. Although there is an emerging feeder-pig industry, pork is still primarily produced by an individual farmer from the time the pig is born until the time it is marketed. Similarly, but not exactly the same way NPPC has been organized, there is a delegate body that has been formed. They elect these through the state associations, but others also have input if they want to have someone nominated, such as general farm organizations, etc. From this they then nominate the Pork Board Members. There are 15 people who serve on the National Pork Board. Those nominations go to the Secretary of Agriculture, then the Secretary of Agriculture selects them. On the beef side, it was the state organization that nominates them and then the Secretary appoints them.

Here is a difference between the beef and pork. The 0.25% or 25 cent per \$100 of value goes directly to the Pork Board. They in turn distribute the funds. Some of it is mandated by law and the key recipient is the State Council. At least 16½% of the total check-off must go to the State Council or an amount equal to their budget in 1985. In visiting with Mike Simpson of the Pork Board, he advised me that only about 22% of the total is returned to the state. The National Pork Producers Council during the transition years: From the time the legislation is started to check-off November 1 until they vote, 35% is automatically returned to NPPC and 20% of that, which is our organizational agreement, goes to the Pork Industry Group of the Meat Board. The remaining amount is classified as discretionary funds which are expended at the pleasure of the Pork Board. The same organizations identical to the ones on beef have been funded to date and we will talk about that a little bit later.

### Where the Dollars Go

Let's now look at where the total dollars are going today in their budgets. Let us take a look at promotion. Fifty-one percent of each beef dollar, and 70% of each pork dollar, are being used for promotion. On the beef side, 20.8 cents of each dollar are currently being programmed by the State Councils. That is one area that's different; on pork they calculated all the State Councils on these functions. Part of the State Council money can also be divided up into promotions and research. Consumer information is currently budgeted for 5.2 cents on beef. Research for beef is at 1.9 cents, while pork is 7 cents. Again part of this difference is due to the State Council and also the way some of it was combined. Some difference in industry feedback also exists in that 1.2 cents more on the beef side is used for materials, printing, etc., than on pork; in their calculations, they put in the cost of meetings and a lot of other things, so I do not think you can compare these figures. Industry information is the one that is unique to beef. That's 0.7 of a cent and that goes primarily for

production research and related programs. One item that is unique to NPPC at this stage is national issues. One thing you cannot do with these funds is government lobbying; however, you can use the funds for monitoring issues and that is what the 3 cents is for on the pork side.

For beef refunds, they were required to set up a trust fund until the referendum; 15% of the total amount of the check-off has to be put into a trust fund. For pork, refund requests are automatically returned and that is running in both cases at less than 10%, so the refunds are mostly encouraging as we look toward the referenda. Administration costs are 3.6% for beef and 7% for pork. Again, you have to understand that on the pork side, costs are calculated using both the state cost as well as the national.

The other thing that I want to do very quickly is to take a look at the definitions that are in order or the questions you will have about what these funds (promotion, research, education and information) can be spent for? We have a hand-out over here if you are interested and want to take time to go through them now, but you will find them very, very similar. The only one that is much different is industry information, which is on the beef program but not the pork. When they talk about information programs that could lead to the development of new markets, marketing strategies, increased efficiencies, these are activities to enhance the imagination of the cattle industry. The beef people have separated the definition of research into two areas while pork has left it in one. That is the authority that is given by the Act and once we see the video here it will bring it more to life.

Before we start the video, I think it's important that we perhaps keep one other thing in mind for those of you that again are interested from the standpoint of grant funds. Out of those three functions, research, information and education, we levy dollars really in only two, and those are research and information. And by definition of information, that's where the formal education programs are put as well as public relations and all types of information programs. The beef dollars for our Beef Industry Council division of the Meat Board are involved in all three of those, research, education and information. Our Pork Industry Group and Lamb Committee are only in research and information. The National Pork Council does promotions for the pork industry while ASPC does it for the lamb industry and as those dollars are combined, we identify all dollars by specie of origin and packer/producer and they are combined on a leverage formula basis.

So here's what you are going to be seeing in these tapes; they are only four minutes put together by NPPC and the Pork Board on theirs and four minutes on the Meat Board Beef Industry Council. Let's look at the tapes. The first program you see will be those that are leverage programs from the Meat Board, then we'll go to information programs where we put beef, pork and lamb dollars working together, then we will go on to the beef information program and then into the Pork Board and NPPC program.

If you are interested in looking at some of the grants, whether it be on the pork side or the beef side, understand that the Beef Industry Council research committee, promotion and educational committees are previewing all beef requests that come to the Beef Board and making recommendations to the Beef Board for funding. On the pork side,

the policy development groups and the National Pork Producer Council are reviewing and making recommendations on all production research requests. If it has to do with information or nutrition or product development, it would go through our Pork Industry Group review committee at the Meat Board. My counsel would be that, if you are interested in a research project at the pork check-off, give Dave Meeker a call. I think all of you know Dave, who is Director of Research for National Pork Producers Council and of course Burdette Breidenstein on the beef side or on pork nutrition and pork product development.

I guess it's true in any grantsmanship, that it is important to understand the motivation behind it. From the years that I have had the chance to sit on these committees with a combination of producers, I would assure you that Dave and Burdette do not make these decisions in a vacuum. They help do some of the technical review of the committees, then they are given to producer review committees which will determine how the grants are given. Producers involved in the check-off like to look at them as a catalyst to make something happen with their check-off dollars. And it's not going to excite a producer too much if you need the grant to take the place of some funding that got cut because of some government cutting or something of that nature. In packaging your request, start with the premise: How can I write this in such way that A, the industry needs it and B, I am showing that something is going to happen and I am going to leverage that 20 thousand-dollar grant or 30 thousand-dollar grant or 50 thousand-dollar grant that we get out of beef or pork along with university money or private industry money? Those kinds of requests have a lot of appeal to the group. Now, you

may wonder what's the high interest? As far as the beef industry is concerned at this stage, they are giving top priority to nutrition-related issues, product development-related issues and market intelligence-gathering issues; market survey work, better understanding of our customers and their needs and wants! Those three general areas. They are also putting dollars to the industry information side with the National Cattlemen's Foundation on food safety questions related to beef. On the pork side, priority tends to be similar. At the Meat Board, we annually put together a marketing plan and there is a copy available if you would like to pick one up when you leave. In this marketing plan, it's divided into three species, beef, pork, lamb; and if you look through that quickly, it will give you a feel for how dollars are being spent. This one on the beef side, I would urge all of you who are interested in the beef check-off program to pick up. This is a summary of all dollars that the Beef Board has allocated during its first six months of existence; and if you very quickly can turn to the research section, you can find the area of your interest. It will list the topic areas that you are interested in. The Beef Board received 81 research proposals during the first six months and the BIC committee structure recommended 20 for funding; and to date the Beef Board has funded 17 studies and you will see a brief summary of each study. The project leader, what university it is at or private research firm, a brief description and a time-table and evaluation of data. This will give you the quickest overview and the quickest reference in terms of the beef program. Also, Dave has brought along copies of the Pork Act of 86 and that will give you a good feel about pork interest and the 100% check-off.

## Discussion

*D. Meisinger:* John, I was wondering what the Beef Act and the Pork Act together have done for your nutrition research program? Have you been able to expand funding, and therefore capabilities, for those programs with the new Pork Act and Beef Act?

*J. Huston:* The long-range planners of the Beef Industry Council and also the National Pork Council and Pork Board are in the process of reviewing their plan and updating it; both of these operate on a five-year plan. The question put to Burdette last year was: "If we put 5 million into research, what do you do?" Burdette's council looked into the beef long-range plan, reflected in there was that if you are looking for results between now and the time the referendum has to go in 18 months, we probably will not be able to gear up a research program that quickly to get results in an 18-month period. But Burdette said he was far more interested in having a growth curve like this (a 5-year growth curve for research) and perhaps initially in year one and year two, a higher percent of income will go into promotion and highly visible programs, and that is exactly what is happening. Five years out, assuming success on the two referenda, the nutrition research program will be four to five times the size it is currently. So, there is no question that there will be growth in that area.

*B. Breidenstein:* We need to point out, Dave, that the

absolute dollars have increased approximately 40% to 60%. The other thing to keep in mind on these grants is the excellent presentation by Becky Mullis and Reid Mason and Jo Ann Randen in the last session. In putting that kind of proposal through the Meat Board, it may well come through as a research proposal. A lot of things can fit either side and a lot of new information programs and promotion programs are first handled as a research project. So again, I know all of you are experts at writing grants so I am probably belaboring the point here, but don't get tied up just in definitions.

*F. Leak:* Looking ahead optimistically, I wonder if we have considered what our needs are going to be five to ten years from now as far as students and young people coming into the industry with regard to promotion, advertising and information. Have you thought about what we can do from an academic standpoint in better training these people to meet these needs?

*Huston:* We have not directly at the Meat Board, and I am not speaking for NPPC and some of the others. We have not had studies that have focused directly on the question you are raising. Of course, the traditional areas in which the Meat Board has assisted would include the more traditional meat science education area, meat judging, etc., as well as producing support materials. But I will use the University of Illinois as an example. A lot of our staff get involved in helping

there and I assume at other schools, but I just happen to be more familiar with Illinois. In the agricultural communication area, they have started a commodity promotion, either one semester or two semesters, I can't recall exactly what it is! Several of our staff have been involved through telephone hookups, lecturing the class, or have actually gone down to the University. So those kinds of things are happening! In an organization like the Meat Board, you actually need several different disciplines. There is no one discipline that will serve all needs. We have home economics, the meat scientists, nutrition scientists, market research, animal science, education. All the different types of majors will make up the total Meat Board. If I were to recommend anybody, I would say that if there was one staffer who probably had a background destined to be on the Meat Board staff, I would take Mary Adolf. Mary grew up on a ranch in Nebraska.

*S. Zobrisky:* How many dollars are we talking about here?

*Huston:* Total, beef will be 60 to 70 million dollars; pork about 30 million dollars, and the lamb council is about 5 to 6 million dollars which goes into lamb and a little more that goes into wool. So, if you look at the total resources, which include both state and national, and if you take the high side, we are talking about a little over 100 million dollars. That's a lot of money! It's about three times the amount of money that the industry had before the Farm Act of 1985. The dairy industry has the largest amount, and they have 210 million dollars in their education, promotion and information programs. Then you must also be aware of their political action funds which are not included in the \$200 million. Those funds are in addition to that \$210 million.

*Zobrisky:* How many dollars are going into research alone in these areas?

*Huston:* The Meat Board budget is 3.4 million dollars into research out of a budget of 48 million dollars which would be about 5% to 6%. I think that's about the same percentage probably as the National Pork Producers Council. The key point, Steve, that we need to point out is that in the five-year beef plan, a year ago at this time a lot of people in the beef industry were saying to Burdette, 3 to 5 million dollars? Dr. Breidenstein always made the point that if you are looking for 18-month results, there are very few research projects which would produce results in 18 months. He said that, as Director of Research for the Meat Board, I would much rather see a growth curve than all of a sudden have 3 to 4 million dollars and maybe nothing the next year. So the BIC long-range plan shows that type of growth curve in research; when we reach 1991, there will be over 5 million beef dollars going into research. The trend line is to grow in research and then after the referenda to hold or cut back on advertising and information.

*B. VanStavern:* How do you plan to measure the success of the promotion program? Is it per capita consumption or is it retail price per pound? How will you measure success?

*Huston:* Of course there will be short-term measurements and long-term measurements. First of all, I would start walking backwards on price and I would also start walking backwards on per capita consumption because on the short term, per capita consumption is a reflection of what we produce. Too often, the industry will hear producers talking about per capita consumption as a measurement. One of the things that we try to stress at the Board among our own staff is keep

in perspective what we can and cannot do. There is a tendency in all of us who work at the Meat Board or NPPC or state councils to get so enthusiastic about our programs that we tend to oversell! I don't necessarily mean that as a criticism, but it can happen; and all of a sudden, some producers have unrealistic expectations for what you can accomplish. When that happens, we are going to have some disappointed producers.

In essence, the way I feel about it is that as far as "supply and demand" at the Meat Board, we do not work on the supply side. Those of you in land grant colleges, USDA, the state cattlemen's associations, pork producers have a lot of activities on the supply side. We work strictly on the demand side, and again at the risk of oversimplifying, we have two primary aspects of that demand. One is the consumer's ability to buy beef, pork and lamb and that we can do very little about, disposable income. The other aspect is the willingness or perception that people have for red meats. Really, whether we are doing a research project, an education project or an information project, when you back away from it, what we are trying to do is somewhat influenced by the consumer's willingness to buy our product. In general terms, what we do in short-term, we run continuing attitude surveys. You will hear us refer to the Walker Research, which is simply the name of a research company in Indianapolis that we started using in 1981. Every 12 months (and sometimes every 6 months) since we started beef advertising, they have done a monitoring of attitudes such as: "Do you perceive beef's place in a balanced diet?" NPPC referred to it in their tape, they are doing a similar type of measurement.

Dr. Breidenstein and Dr. Johnson of Iowa State University are putting together a project that's been funded by the Beef Board on return on investment for the beef industry. NPPC has a similar type of program. The dairy industry has done that kind of thing, where for every dollar that they put into promotion, how much the return is to the producer. I cannot tell you the figure that they came up with. But we are trying to quantify it as much as possible.

My biggest concern is overselling the program and producing greater expectations than can be delivered. Someone came up to me after the first session and said "John, we are on the crest of higher pork prices and higher beef prices. What do you think that will mean in 1989 when we vote, if pork and beef prices are considerably lower next year?"

Beef and pork have both done producer attitude studies. In the pork study, they asked how they would feel if the vote was now? Seventy percent said they would vote yes! They were also asked: If pork prices were lower, how much would prices have to drop below \$40 to change their vote? I was surprised when only 5% or 10% of the producers said they would vote "no" if prices were below \$40. Those things are hard to tell! One more comment on the vote; many of you know that I had the privilege of working with the beef referendum in 1980. Lots of things can happen just two to three months before you vote that can make a world of difference. We had to decide back in October of 1979 that we were going to vote in mid-February of 1980. If you will recall, the first week in 1980, President Carter put the grain embargo on; we were heading for 20% interest rates for the first time, and it was the only time in my experience that the Assistant Secretary of Agriculture was better known (Carol Tucker Foreman)

than the Secretary. Now in these referenda, your opposition has one distinct advantage, they do not have to get hung up on the truth! Our opposition in 1980, and I give them credit,

ran the best anti-campaign that they could possibly run; they played on the beef producers' bias, and that is, you vote "yes," it's a government program!