

BEEF

NORTH DAKOTA BEEF COMMISSION 2014 ANNUAL REPORT

DIRECTORS & STAFF

OFFICERS

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

BEEF PRODUCERS

Janna Anderson Leonard
Gabe Thompson, Jr. Antler
Kathy Tokach St. Anthony

BEEF PRODUCER MEMBERS AT-LARGE

Jocelyn Carlson Killdeer
Jeff Dahl Gackle
Merle Jost Grassy Butte

CATTLE FEEDERS

Clark Price Hensler

DAIRY PRODUCERS

Dale Kuhn Towner

LIVESTOCK MARKETS

James Bitz Napoleon

EX-OFFICIO

Jerry Effertz Velva

FEDERATION OF STATE BEEF COUNCILS NATIONAL DIRECTORS

Jerry Effertz Velva
Clark Price Hensler
Kathy Tokach St. Anthony

STAFF

Nancy Jo Bateman Executive Director
Joan Hoovestol

CATTLEMEN'S BEEF BOARD DIRECTORS

Pat Becker Selfridge
James Schmidt Menoken

NORTH DAKOTA BEEF COMMISSION

COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
JULY 1, 2013 - JUNE 30, 2014

REVENUE:

Checkoff Assessments	\$1,131,120
Less Remittance to States of Origin	(24,445)
Less Remittance to Cattlemen's Beef Board	(553,349)
Net Assessments	553,326
Other revenue- interest & receipts	13,660
Other revenue- Beef Gift Certificate sales	13,537
Net In-State Revenue	\$ 580,523

EXPENDITURES:

International promotion	12,728
Promotion	34,560
Research	681
Consumer Information	91,255
National program development	124,484
Beef gift certificates	13,347
Administration	175,159
Operations	52,426
Total Expenses	\$ 504,640

REVENUES OVER (UNDER) EXPENSES	\$ 75,883
FUND BALANCE, JULY 1, 2012	\$ 194,172
FUND BALANCE, JUNE 30, 2013	\$ 270,055

RECORD CATTLE PRICES MAKE FOR EXCITING YEAR Beef Checkoff Builds Value for Cattle Industry



checkoff was a contributing factor.

I could go on for this entire report with success stories, but let me hit some highlights.

- Beef exports are contributing over \$300 per calf born in additional value and are surpassing previous records for total export value. Your beef checkoff is helping to make this happen.
- Domestic beef demand is strong, even with higher prices and reduced supplies. While per capita consumption has gone down due to limited supply (we can't consume any more than is produced) consumers are paying as much as 11.3 percent more for beef, which indicates a significant increase in consumer demand for beef.

As chairman of the North Dakota Beef Commission (NDBC), I am proud to report this has been an exciting year in the beef industry. Record cattle prices have been beyond anything we could have imagined a year ago and your beef

- Beef producers are receiving an \$11.20 return on every checkoff dollar invested in national programs through the Cattlemen's Beef Board.

These results all have direct connections to your checkoff investment and to the North Dakota Beef Commission. Board members Kathy Tokach, Jerry Effertz and I, along with our executive director, Nancy Jo Bateman, sit on national committees and provide input into these programs. Jerry Effertz is also one of only 10 beef council members from across the country working together with 10 Cattlemen's Beef Board members on the Beef Promotion Operating Committee which approves national program funding.

The future is bright for beef, but the challenges are real. Reduced cattle numbers mean reduced checkoff dollars for demand building programs and more challenging decisions for the Beef Commission. Planning and prioritizing are key and I believe our board members and staff have done an amazing job of choosing the best use for your checkoff dollars.

It is my honor to present to you the annual report of the North Dakota Beef Commission and the Cattlemen's Beef Board. Please take a few minutes to learn about your beef checkoff programs.

Clark Price, NDBC Chairman

BBQ BOOT CAMP HITS THE BIG TIMES!

North Dakota State University's (NDSU) BBQ Boot Camp team, funded in part by the North Dakota Beef Commission (NDBC), reached 10 million viewers when it was featured on ESPN's College Game Day, broadcast from Fargo. In addition, several communities hosted BBQ Boot Camps across North Dakota. The popularity of this six-year-long program exploded this year, thanks to ESPN and a special request by retail grocers that took the team to Austin, TX. Retail meat executives representing grocery chains like WalMart, Costco, Sam's Clubs, Kroger, and many more participated in the BBQ Boot Camp and are now developing ways to bring its cooking techniques and livestock stewardship message to their customers.



Checkoff Update

While ranchers were rounding up cattle this spring, Commission members and staff were busy attending North Dakota Stockmen's Association's Spring Roundup meetings. A special update on the success of the beef checkoff at the state and national level over the years was presented with good reviews from several hundred producers in attendance.



North Dakota sustainability work incorporated in national survey

Beef producers throughout North Dakota participated in a national beef sustainability research study funded by the beef checkoff. The NDBC hosted a member of the national research team as he met with producers to compile regional data on sustainable practices. More than 3,000 producers were invited via email to complete an electronic survey about their production practices. Results from the on-line survey will also be incorporated into the national research.



Reaching out to consumers

Providing today's consumer with a reason to purchase beef is the ultimate goal of every beef promotion activity the NDBC undertakes, from grilling season through the holidays, on TV and in newspapers, as well as food & wine events and cooking shows.

Research Highlights

Although budget cuts resulted in fewer dollars for research, the results from NDBC-funded research at NDSU gained national attention when Dr. Eric Berg's research on growth promotants and the effects on early puberty was published in the highly respected *Journal of Nutrition*. Another powerful Berg study funded by the beef checkoff compares red meat diets with high carbohydrate diets as a means to prevent tissue-specific, down-regulation of insulin receptors - a hot topic in nutrition circles.

Beef Education Directly and Through Partnerships

The single largest face-to-face beef education event undertaken each year is the Living Ag Classroom. NDBC staff members walked 4,000 fourth-grade students through everything "beef." Students from Minot, Bismarck, Fargo and surrounding areas learned that cattle outnumber people in North Dakota by a 3:1 ratio. More importantly, they learned about the value of beef in our diet and about common beef by-products. Since 1994, we have reached about 80,000 children with this positive beef message.



Partnerships with more than 120 Family & Consumer Science teachers, thousands of 4-H & FFA members and NDSU Extension Agents pay dividends to beef producers as positive beef messages are promoted through the "Eat Smart. Play Hard." programs and other venues.



Military Events Reach over 16,000

Since 2004, the NDBC and industry partners have honored more than 16,000 of North Dakota's military families through beef-industry-sponsored "Military Appreciation Days" at the North Dakota State Fair (NDSF) and special events at the Grand Forks Air Force Base (GFAFB). A large group of beef industry volunteers helped at the 2014 NDSF serving beef and thanking the military. The Grand Forks event had a smaller, but energetic, crew of beef producers manning the grills and serving beef to more than 500. GFAFB also hosted a "Beef Iron Chef" contest with 12 teams of military members vying for the title. Each team received the same cut of beef and a table full of ingredients to develop an original recipe for the judges.

NDBC Receives Military Award

The NDBC was honored to receive the "Community Purple Award" from the North Dakota Army and Air National Guard for its role in organizing the annual Military Appreciation Picnic at the NDSF. The award is presented to groups that go above and beyond the call of duty for the military.





DEAR FELLOW BEEF PRODUCERS,

There's only one measurement that really matters when it comes to your Beef Checkoff Program: Do you get more out of it than the \$1-per-head you put in?

Recent independent research shows you do, with a return of \$11.20 for every \$1 invested in the national program. Although not part of the national study, the programs conducted at the state level can only add to the overall effectiveness of our efforts. Obviously, the efforts we're making as cattle producers are worth it.

Even more exciting, though, is how it was accomplished. Direction of state and national checkoff programs are in the hands of producers themselves, not just purchased "off the shelf." While the return on investment is significant, the success comes about because of producers and importers participation

in checkoff-directing boards and committees.

When you combine the return on investment with the process, it's a very impressive result. With increasing sophistication of the process and even more producer input, I hope to see even better returns in the future. Let's keep up the good work.

Yours truly,

Cevin Jones

Chairman, Federation of State Beef Councils



NUMBERS DO THE TALKING

Nowhere do the numbers speak more clearly than in the new Beef. It's What's For Dinner digital campaign.

Beginning in the spring of 2014, the campaign

differed significantly from mass media, reaching people who aren't immediately seeking beef information using an "under-the-radar" approach. It's a one-on-one communication through a consumer's computer, and aims to direct consumers to the BeefIt'sWhatsForDinner.com website, which contains recipes, tips, nutrition, safety and other information consumers want and need.

Digital elements that drive consumers to the site include:

- **Banner Ads** on sites like AllRecipes.com and MensFitness.com, which inspire consumers to think about tonight's dinner with beef photos, recipes and information;
- **Search Advertising** on engines such as Bing and Google for people proactively searching for information on food;
- **A Beef. It's What's For Dinner Facebook page**, with almost 900,000 fans who receive recipe posts with photos on a regular basis;
- **Collaboration with other established recipe and nutrition-related websites**, such as Martha Stewart.com;
- **Videos** that run before online television shows; and
- **Other "cutting edge" elements in digital marketing** that allow the industry to target millennial consumers.

In just the first four months of the marketing campaign significant results were generated. More than 1.7 million consumers were reached through the campaign's website, and the "no-recipe recipe" videos were viewed more than 5 million times on YouTube and other video online channels.

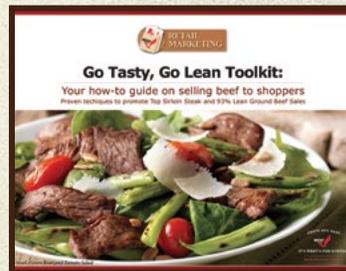
Furthermore, associated social media sites hosted more than 1 million engagements, such as likes, comments, shares, re-tweets



and click-thrus to checkoff resources, such as recipes. Because it's available 24/7, the digital/social media tool is providing continual contact with consumers who are looking for meal solutions.

Unlike other kinds of outreach, almost all of that contact is positive in nature. Research shows that 97 percent of consumers have positive opinions about beef after visiting the Beef. It's What's For Dinner website.

RETAILERS GET IN THE ACT



A new "Go Tasty, Go Lean" toolkit for supermarket retailers was developed to help on-staff dietitians make their stores a health and wellness destination for consumers – and to help sell more beef in the process. Part of a multi-phase research project conducted through the Beef Checkoff Program, the toolkit

helped show that beef can provide a significant sales lift for retailers.

In fact, 84 to 94 percent of shoppers expressed purchase intent in the lean beef items they sampled during the test portion of the research, and significant increases in specific beef cut sales during the test were also generated.



The toolkit communicates beef's nutrient benefits at the same time as it generates these bottom-line benefits. The toolkit, developed in partnership with registered dietitians, demonstrates that promoting beef's positive attributes – nutrition, taste and ease of preparation – not only results in higher sales, but enables supermarket dietitians to be able to talk knowledgeably and confidently about beef.

CATTLEMEN'S BEEF BOARD FISCAL YEAR 2014 EXPENDITURES

Administration	\$1,609,050	
USDA Oversight*	\$289,631	
Program Development	\$238,943	
Program Evaluation	\$175,274	
Producer Communications	\$1,478,324	
Foreign Marketing	\$7,355,729	
Industry Information	\$1,817,768	
Consumer Information	\$8,366,182	
Research	\$7,927,598	
Promotion	\$9,438,367	
Total expenses	\$38,696,866	

Audited numbers

* This total also includes CBB's costs associated with Freedom of Information Act requests and legal fees associated with lawsuits.

NUTRITION RESEARCH HAS VALUE

More research now shows that a heart-healthy diet that includes lean beef can reduce risk factors for heart disease. A study funded by the beef checkoff and the national Institutes of Health-supported Penn State General Clinical Research Center and published in the June 19, 2014 issue of Journal of Human Hypertension found that a dietary pattern rich in fruits, vegetables and low-fat dairy that includes lean beef – even daily – can reduce risk factors for heart disease, including elevated cholesterol and blood pressure.

According to lead researcher Penny M. Kris-Etherton, “this research adds to the significant evidence, including work previously done in our lab, supporting lean beef’s role in a heart-healthy diet.” Researchers suggested the evidence supports the idea that it’s the total protein intake – not the type of protein – that is instrumental in reducing blood pressure.



A NEW PRODUCT WITH OLD ROOTS

It looks, acts and smells like bacon – but it’s beef. Schmacon™ is one of the latest checkoff-funded development projects that provides beef producers with extra alternatives for beef cuts. The smoked and cured glazed beef slices

received the prestigious 2014 Food and Beverage Innovations (FABI) Award by the National Restaurant Association at their restaurant, hotel and motel show.

Schmacon has less fat and sodium than bacon, and as a pre-cooked product ready for crisping in an oven cooks in a fraction of the time. In winning the FABI award, it was heralded as a product with “bold imagination” and “great potential to help operators capitalize on consumer trends and drive operator success.” The product not only fits into healthy lifestyle trends, it also meets dietary needs of those religious or ethnic groups prohibited from eating pork products.

BEEF EXPORT VALUE ON RECORD PACE

Checkoff-funded efforts in the international arena are focused on some of the world’s most promising markets for U.S. beef, and exports to those markets are growing rapidly. For instance, strong performances in key Asian markets are putting U.S. beef export value on a record pace in calendar year 2014. Through July, exports totaled \$3.89 billion, up 13 percent from a year ago. Export volume was up 4 percent to 687,752 metric tons.

In 2013, Japan reclaimed its position as the No. 1 international destination for U.S. beef when an increase in the age limit for eligible cattle fueled a large increase in exports. U.S. exports to Japan have been mostly steady this year, while Japan’s imports from other major suppliers such as Australia, New Zealand and Canada have declined.



Hong Kong, South Korea and Taiwan have also been strong growth markets for U.S. beef in 2014. In June, Hong Kong granted full access for U.S. beef for the first time since the December 2003 BSE case.

These results translate into remarkable returns for U.S. cattle producers. Export value per head of fed slaughter was nearly \$300 in June and July, and averaged \$273 for the first seven months of this calendar year. Per-head export value is up 13 percent from a year ago and has more than doubled in the past five years.

Whether promoting beef internationally or providing marketing support for the product in the United States, the Beef Checkoff Program has been committed to programs that build beef demand since 1986. The recent research showing a return of \$11.20 for every dollar invested is a strong validation of that work.



North Dakota Beef Commission
4023 State Street, Bismarck, ND 58503
(701) 328-5120 • www.ndbeef.org