

MEMORANDUM OF UNDERSTANDING
REGARDING AGREED-UPON CHANGES TO THE BEEF CHECKOFF

1. This is a binding agreement between American Farm Bureau Federation, American National Cattlemen Inc., Livestock Marketing Association, Meat Import Council of America, National Cattlemen's Beef Association, National Livestock Producers Association, National Milk Producers Federation, and United States Cattlemen's Association, comprising the members of the Beef Checkoff Enhancement Working Group (BCEWG). The purpose of this Memorandum of Understanding (MOU) is to record the parties' commitment to pursue the proposed changes to the Beef Checkoff that the parties collectively developed as members of the BCEWG. The Cattlemen's Beef Promotion and Research Board (CBB) and Federation of State Beef Councils (Federation) also participated as resources for the BCEWG.

2. The parties listed above agree that they will simultaneously recommend and advocate for the legislative and order changes listed in this agreement. All changes relate to the Beef Checkoff established under the 1985 Beef Promotion and Research Act and Order.

3. Assessment – Within a year of legislation being signed, conduct a referendum vote among Beef Checkoff payers to increase the Checkoff assessment by one dollar to achieve a national Checkoff rate of two dollars per head of cattle for each transaction. If a majority of the Beef Checkoff payers voting indicate they would like to increase the Checkoff, the assessment rate would then increase. *(Legislative Change)*

4. Distribution – Assessments will continue to be collected by state beef councils, who will have the ability to retain 50 percent of the assessment. *(No Change for current dollar. Legislative change for increase.)*

5. Refund - If a vote to increase the Checkoff is successful, ensure that a refund of the additional assessment amount, but not the current one dollar, be available to Beef Checkoff payers. See Exhibit A for additional information about the refund. *(Legislative Change)*

6. Referendum - Every five years, the Secretary of the U.S. Department of Agriculture (USDA) will publicize a 30-day period of time during which Beef Checkoff payers may contact their local USDA office and request a referendum vote on the continuation of the Checkoff program and/or a change to the assessment rate. This process will be conducted utilizing a cost effective and verifiable process. If ten percent (10%) or more of Beef Checkoff payers request a referendum on these questions, a timely referendum vote of Beef Checkoff payers will be held. The wishes of Beef Checkoff payers indicated by a majority vote in a referendum will be implemented.

The current ability for the Secretary to conduct a referendum only on the continuation of the Beef Checkoff at the request of 10 percent (10%) or more of Beef Checkoff payers signing a petition will remain in place. *(Legislative and Order changes)*

7. Beef Promotion Operating Committee – The Beef Promotion Operating Committee (BPOC) shall have twenty voting members. One voting member of the BPOC shall be the Chair of the CBB and one voting member shall be the Chair of the Federation. The Chair of the CBB shall be the Chair of the BPOC, and the Chair of the Federation shall be the Vice Chair of the BPOC. If the Chair of the BPOC is unable to fulfill his or her role, the Vice Chair shall serve as Acting Chair. (*Order change*)

The Vice Chair of the CBB, the Vice Chair of the Federation, and the Treasurer of the CBB will serve as ex-officio, non-voting members of the BPOC unless they are nominated and elected to the BPOC as voting members. The Treasurer of CBB will serve as the Treasurer of the BPOC. (*Order change*)

The eighteen remaining voting members of the BPOC shall be nominated by the BPOC Nominating Committee for selection by the CBB and the Federation.

Each candidate will provide information about their industry involvement, including production sector, organizational affiliations, and Checkoff program experience.

The primary criteria for evaluating nominees for the BPOC shall be the following:

- a. Experience and competence;
- b. Balanced geographic representation;
- c. Balanced Beef Checkoff payer segment representation (for example cow-calf producers, feeders, dairy producers, importers, etc.) ; and
- d. Members of the BPOC should represent as many different beef-industry organizations as possible.

Aside from the changes to the BPOC's rules set forth above, all other BPOC rules, such as the requirement that all actions be approved by two-thirds (2/3) of the members, shall remain in effect. (*Order Changes*)

8. BPOC Nominating Committee – The BPOC Nominating Committee shall be formed as a partnership between the CBB, Federation, and national organizations representing Beef Checkoff payers. This BPOC Nomination Committee shall be responsible for ensuring that the criteria for evaluating nominees to the BPOC set forth in section seven of this MOU are met.

The BPOC Nominating Committee shall be composed of seven representatives of the CBB, seven representatives of the Federation, and up to seven representatives of national organizations that represent Beef Checkoff payers. National organization members of the BPOC Nominating Committee shall be selected by the process set forth in Exhibit B attached.

BPOC Nominating Committee decisions to select nominees to the BPOC must be approved by a two-thirds (2/3) vote of the BPOC Nominating Committee.

All BPOC Nominating Committee nominations of members of the Federation to the BPOC must be sent to the Federation for approval. All BPOC Nominating Committee nominations of members of the CBB to the BPOC must be sent to the CBB for approval. *(Order Changes)*

9. Checkoff Program Committee and Working Group Staffing – Staff of the CBB shall serve as the lead operational support for Checkoff program committee and working group leadership. Operations staff of the Federation shall provide secondary operational support. Checkoff program committees and working groups shall not be staffed by the primary program area staff. *(Procedural Change)*

10. Contractor Education - The CBB shall annually provide all interested eligible contractors information and training on the contracting process. *(Occurs today. Procedural Change to continue enhancing the education process.)*

11. Beef Checkoff Enhancement Working Group (BCEWG) Meetings - The BCEWG will meet as needed to provide status reports on activities conducted by BCEWG members to fulfill each member's obligations under this MOU. *(Procedural Change)*

12. Any party may terminate its participation in this agreement upon written notice to the other parties.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, and intending that this document shall constitute the legally binding memorandum of understanding between the Parties with respect to this subject matter, the Parties hereto have executed below as of the ____ day of _____ 2015.

**AMERICAN FARM BUREAU
FEDERATION**

By: _____

Name (printed): _____

Title: _____

**NATIONAL CATTLEMEN'S BEEF
ASSOCIATION**

By: _____

Name (printed): _____

Title: _____

**AMERICAN NATIONAL
CATTLEWOMEN INC.**

By: _____

Name (printed): _____

Title: _____

**NATIONAL LIVESTOCK
PRODUCERS ASSOCIATION**

By: _____

Name (printed): _____

Title: _____

**LIVESTOCK MARKETING
ASSOCIATION**

By: _____

Name (printed): _____

Title: _____

**NATIONAL MILK PRODUCERS
FEDERATION**

By: _____

Name (printed): _____

Title: _____

**MEAT IMPORT COUNCIL OF
AMERICA**

By: _____

Name (printed): _____

Title: _____

**UNITED STATES CATTLEMEN'S
ASSOCIATION**

By: _____

Name (printed): _____

Title: _____

Exhibit A

Specifics on how the refund mechanism would function requires State Beef Council and Cattlemen's Beef Promotion and Research Board (CBB) accounting staff determining what processes work best. However, the following parameters will apply:

1. The refund would not include the current \$1 Checkoff, but only any increased assessment amount above \$1 approved by Beef Checkoff payers in a referendum vote.
2. The refund would be of 100% of the additional assessment amount, with no amount of money retained for processing fees. For example, if the Checkoff level was \$2 per transaction, Beef Checkoff payers could request and receive a \$1 per transaction refund.
3. Any amount of the incremental Checkoff paid is eligible for refund, with no minimum or maximum restrictions.
4. Refund requests would be made to State Beef Councils, or, in the absence of a State Beef Council, the CBB.
5. Refund requests must be made by the 15th of the month following the sale of the animal.
6. Refund requests must be substantiated with documentation proving the Checkoff was paid.
7. Refunds shall be paid in a timely manner.
8. False claims for refunds could lead to prosecution for fraud.

Exhibit B

Selection of Representatives of National Organizations for the Beef Promotion Operating Committee Nominating Committee

Seven seats on the Beef Promotion Operating Committee (BPOC) Nominating Committee are available for representatives of national organizations that represent Beef Checkoff payers. This exhibit deals only with these seven BPOC Nominating Committee seats.

Certified national organizations that represent Beef Checkoff payers will select their representative to fill these seats. Each representative of a national organization serving on the BPOC Nominating Committee shall be a Beef Checkoff payer and not paid staff of the organization. Each Representative shall be knowledgeable about the Beef Checkoff, including the role of the BPOC, how it makes decisions, and how it approves and carries out programs.

Expenses of representatives of national organizations participating in the BPOC Nominating Committee will be the responsibility of the national organization and shall not be paid with Checkoff funds.

Certification of National Organizations Eligible to Place a Representative on the BPOC Nominating Committee

Upon the issuance of the Order creating the BPOC Nominating Committee, the Beef Checkoff Enhancement Working Group (BCEWG) organizations signing this document will be the national organizations initially eligible to place a representative on the BPOC Nominating Committee.

Any additional national organization that represents Beef Checkoff payers and desires to participate in this part of the BPOC Nominating Committee process may submit a request to the BCEWG.

The BCEWG shall certify any national organization to participate in the BPOC Nominating Committee process if it meets the following eligibility criteria.

1. The organization's total paid membership is comprised of at least a majority of Beef Checkoff payers or the organization's total paid membership represents a substantial number of the Beef Checkoff payers in at least seven (7) states.
2. The organization represents a substantial number of Beef Checkoff payers that produce and/or import a substantial number of cattle or tons of beef.

3. The organization has a history of stability and permanency.
4. A primary purpose of the organization is to promote the success of cattle producers, cattle/beef importers, or dairy farmers through industry-accepted practices.

The BCEWG's certification of national organizations shall be based on a factual report submitted to the BCEWG each year by the organization requesting certification. The factual report shall contain all information necessary for the BCEWG to determine whether the organization meets the eligibility criteria.

Selection System

If the number of national organizations eligible to place a representative on the BPOC Nominating Committee is greater than the seven seats for national organization representatives, the following process will be used to determine who is placed on the BPOC Nominating Committee.

1. Four seats are designated seats for the BCEWG organizations. These organizations will draw to determine who fills the four seats in the first year and then trade off each year so organizations not filling one of the four seats in year one will do so in year two. In the event one or more of these four seats is open, a drawing will occur among the other BCEWG organizations not already represented that year.
2. The three remaining seats will be filled through a drawing. Organizations eligible to be in the drawing are any of the BCEWG organizations not represented in the other four BPOC Nominating Committee seats that year as well and any additional organization certified to participate in the process through the procedure outlined above.
3. All national organization representatives on the BPOC Nominating Committee shall serve a one-year term. The process for filling these seats shall be repeated each year. There is no limit to the number of terms an individual may serve.
4. No organization may have more than one representative, even if there are less than seven national organizations participating.