

Fighting for the U.S. Cattle Producer!



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August 18, 2011

Katherine Ayers
Chief Financial Officer
Cattlemen's Beef Board
9000 E. Nichols Ave., Suite 215
Centennial, CO 80112

Dear Ms. Ayers:

Thank you for your Aug. 10, 2011 partial response to R-CALF USA's Feb. 3, 2011 request for investigations into specific policy-related events in which the National Cattlemen's Beef Association (NCBA) was a participant and for which we suspect NCBA had unlawfully used Beef Checkoff Program (Checkoff) funds to promote its policy-related agenda.

Your letter states a contract between the Beef Promotion Operating Committee (BPOC) and NCBA requires records be maintained for three years. And, you indicated that contract precluded your review of any records concerning the 11 other specific policy-related events we identified for you that were held prior to August 2008.

It is my understanding that § 1260.202 of the Beef Promotion and Research Order (Order) requires records be maintained for the period of time prescribed by regulations issued pursuant to the Order, though I am unable to find such regulations. Would you please provide me with a copy of the regulations that authorize the BPOC to grant a three-year limit on a Checkoff contractor's obligation to maintain records?

Notwithstanding the unavailability of records with which to determine if Checkoff funds were misused by NCBA prior to August 2008, your letter appears to confirm that you found evidence of misuse of Checkoff funds in your review of the nine specific policy-related events held during the three-year period beginning in late 2008.

You characterized your findings of two items as items improperly coded, and you stated those items totaled less than \$400, an amount you determined was only "a small portion of the total expenses related to the nine events examined," and you concluded that the Cattlemen's Beef Board (CBB) "did not identify any significant misuse of checkoff funds."

It is my understanding that the Beef Promotion and Research Act (Act) prohibits Checkoff funds from being used in any manner for the purpose of influencing governmental action or policy, with one unambiguous exception. And, I find no provision in the Act or Order that authorizes the CBB to restrict application of this prohibition only to instances where the unauthorized use of Checkoff funds is deemed significant. Please direct me to the statute, order,

Ms. Katherine Ayers
August 18, 2011
Page 2

or regulation that authorizes the CBB to restrict the Act's prohibition described above only to instances the CBB deems "significant."

From R-CALF USA's perspective, \$400 represents the investments of eight individual ranchers who voluntarily choose to become supporting members of R-CALF USA for an entire year. We strongly disagree that the amount of \$400 is not significant. If NCBA used \$400 of Checkoff funds in any way to help it defeat government action and government policy initiatives supported by R-CALF USA, and even if NCBA is asked and does repay the money within three years as if it were a non-interest bearing loan, then NCBA violated the Act and Order.

Please clarify if your review found that NCBA used Checkoff funds to pay expenses prohibited under the Act and Order. Your use of terminology such as "items improperly coded" to describe items that you presumably directed NCBA to "reclassify," makes it unclear whether you found NCBA had used Checkoff funds to pay expenses prohibited under the Act and Order.

In fact, your finding of "items improperly coded" suggests there was no actual misuse of Checkoff funds and, therefore, the transactions require no accountability as they were merely accounting errors in which NCBA miscoded authorized Checkoff expenditures to another authorized Checkoff account, e.g., as if NCBA coded an authorized producer communications expense to an authorized beef promotion expense. This would be the customary and usual interpretation of the terminology you have applied to these two transactions.

However, your letter stated NCBA has agreed to "reclassify" the less than \$400 to the NCBA Policy Division, which indicates that the original transactions were, in fact, not instances of improper coding, but rather, instances where NCBA improperly and unlawfully used Checkoff funds to pay prohibited expenses.

As a representative of thousands of Checkoff contributors, R-CALF USA deserves straight answers regarding whether a Checkoff contractor has violated the Act and Order. We are troubled by the incongruence and ambiguity of your Aug. 10, 2011 letter and we would very much appreciate a direct response to our foregoing requests for information and straight answers to each of our foregoing questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bill Bullard", with a stylized flourish at the end.

Bill Bullard, CEO

Cc: The Honorable Tom Vilsack
The Honorable Eric Holder
The Honorable Phyllis Fong
Don Pfeil, Assistant Regional Inspector General
Rayne Pegg, Administrator, USDA/AMS
Craig Morris, USDA/AMS