

Date: October 31, 2009

To: Jan Lyons and John Queen, Co-Chairs
NCBA's Governance Task Force

From: CBB Executive Committee

Subject: Comments on Proposed NCBA Structure

Thank you for taking the time on October 27, 2009 to present a webinar to the CBB Executive Committee about the NCBA structural concept proposed by NCBA's Governance Task Force, and for the invitation to respond to the concepts developed by the task force.

We were gratified to hear of your strong commitment to the maintenance of the "firewall" between checkoff and non-checkoff funds at NCBA. As we discussed this important issue, we realized there are two facets to the firewall. One facet of the firewall relates to the expenditure of funds, and the other facet relates to the firewall of governance over checkoff funds at the Federation. Since there is an expectation of a separation of governance over Federation funds, we are very distressed to observe the proposed elimination of this separation.

When the leadership of CBB met with 12 industry organizations over the past 18 months, the strongest and most consistent message we heard was the insistence on a greater separation between the Federation of State Beef Councils (Federation) and the policy activities of NCBA. Your current proposed conceptual model is diametrically opposed to the expressed desire of the leadership of organizations representing an overwhelming majority of beef producers. We are, therefore, extremely concerned that you have not given adequate attention to this important issue.

In 2004-2005, NCBA went through an exercise to identify steps that needed to be taken to build a stronger identity and ownership of the Federation by members of the Federation and state beef councils. NCBA went so far as to have a separate session for Federation directors and a great deal of excitement and energy resulted. The structure you are now proposing totally rejects the valuable lessons learned over the past several years about the importance of a Federation whose directors feel a sense of purpose and ownership in the Federation. Several of our Executive Committee members were involved in those Federation exercises and are convinced that your current direction is misguided. In addition, your gap analysis indicated the need for a stronger identity for the Federation, yet your proposed structure basically eliminates the Federation.

The merger of the Beef Industry Council and the National Cattlemen's Association in 1996 was a partial merger in that separate divisions were maintained. The separate divisions were maintained because of the strong desire of the state beef councils to retain the identity of the Federation and the control of the Federation over checkoff funds managed by NCBA. Your current proposal results in more of a takeover of the Federation than a merger, which is a 180-degree reversal of the structure previously embraced by state beef councils.

While we understand the need for a membership organization to ensure its “members” are fully engaged in and support the decisions of the organization, we view the requirement for the NCBA Board of Directors to sign an oath of loyalty to NCBA to be excessive and dangerous to the well-being and integrity of the beef checkoff. It is true that NCBA represents many beef producers who own a significant number of cattle, but NCBA as an organization, does not represent the majority of the producers and importers who pay into the beef checkoff. As a result, we are very concerned with your proposal that NCBA board members, who would only be loyal to NCBA, would also be responsible for approving the Federation budget.

We think this loyalty oath would constitute a conflict of interest of a magnitude that could destroy the very foundation of the beef checkoff program in the eyes of many beef producers who are not members of NCBA. As CBB members, we have sworn an oath on behalf of the U.S. Secretary of Agriculture that we will ensure the accountability and integrity of the beef checkoff and ensure the checkoff works for the benefit of all beef producers and importers. As such we feel compelled to tell you that we believe the proposed structure will create a conflict of interest so significant that it could ultimately cause the demise of the beef checkoff program for which we have all worked hard and a program which NCBA itself has frequently touted as helping to improve beef demand and has even paid to defend.

We strongly urge you to protect the identity of the Federation and maintain its responsibility to all beef producers by retaining the Federation as a separate body, which has as one of its duties the approval of its own budget. Insofar as Federation funds are voluntary investments from state beef councils to be used for the benefit of all producers, we are obligated to point out that the expenditure of Federation funds must be determined by Federation directors only.

In connection with the proposed Councils, we encourage you to take this opportunity to make checkoff-related Councils more open to other industry organizations rather than remaining so exclusive. A more inclusive or open approach to obtaining input to programs funded by the checkoff will be well received by producers who are not members of an NCBA affiliate, but who have a vested interest in the success of checkoff programs. This will also provide an opportunity for all producers to begin working together as we deal with well-funded adversaries who wish to turn consumers away from our product and ultimately eliminate animal agriculture in the U.S. We also encourage you to further develop your proposal concerning the manner in which other beef checkoff contractors would participate in the proposed structure because this issue is significant to many of the organizations that currently work with CBB and many of the state beef councils.

Once again, we appreciate your invitation for input and look forward to working with NCBA and the Federation of State Beef Councils for the benefit of all beef producers and importers. If you have any questions, please contact Tom Ramey.

In an effort to fully express how seriously we take our responsibilities, we are providing you with the oath that all Cattlemen's Beef Board members swore to uphold when they accepted their appointments to the Board.

THE SECRETARY OF AGRICULTURE HAS APPOINTED EACH OF YOU ON THE RECOMMENDATION OF YOUR FELLOW BEEF INDUSTRY PARTNERS, TO CARRY OUT THE BOARD'S RESPONSIBILITIES ON BEHALF OF THE SECRETARY AND FOR THE BENEFIT OF THE ENTIRE BEEF INDUSTRY. YOUR NOMINATION AND SELECTION DEMONSTRATES THE RESPECT AND CONFIDENCE THAT YOU HAVE EARNED AS AN EFFECTIVE LEADER IN THE BEEF INDUSTRY. THIS IS A NATIONAL BOARD AND YOU HAVE AN OBLIGATION TO REPRESENT ALL PERSONS WHO PAY THE CHECKOFF.

PLEASE RAISE YOUR RIGHT HAND AND REPEAT AFTER ME

I PROMISE TO CARRY OUT MY DUTIES AND RESPONSIBILITIES AS A MEMBER OF THE CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD, IN AN UNBIASED MANNER, AND IN ACCORDANCE WITH THE ACT AND THE ORDER.

CONGRATULATIONS, YOU ARE NOW MEMBERS OF THE CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD.

I WISH YOU MUCH SUCCESS IN THIS ENDEAVOR.
THANK YOU.

NCBA Governance Task Force Legal Questions and Answers

Does the Task Force believe the structure it's recommending is legally sound?

NCBA charged the Task Force only to consider structures which comply with law, especially the requirements of the Act and Order which cover the checkoff. The Task Force believes its proposal is faithful to that charge.

How did the Task Force approach the legal issues?

Openly. It put potential legal vulnerabilities it saw on the table and redesigned around those which proved well founded. And it asked those with whom it vetted its legal assessment to provide specific legal basis and precedent for any legal vulnerabilities they saw. No inconsistencies with the Act and Order have been identified.

Has the Task Force discussed its proposal with USDA?

Yes, several times. During the last visit it requested that USDA give an alert about any legal deficiency perceived to exist in its proposal. USDA has not given any alert. The Task Force has also worked closely with private counsel, consulted others knowledgeable about commodity board legal issues, and met with CBB leadership.

Does this mean no one has suggested a theoretical legal vulnerability?

Anyone can suggest a legal shortfall in one or another aspect of the proposed reorganization. But as the vetting of legality has continued, no one has been able to point to anything in the Act or Order which would forbid the industry from implementing the Task Force's concept.

Will the checkoff be used to lobby for policy positions?

No. The Task Force has grounded its proposal on a bedrock requirement that the "firewall" at NCBA between checkoff and non-checkoff dollars remain solid. This assures that checkoff dollars are used only for checkoff eligible activity in a reorganized NCBA. The Board is the decision-maker on policy positions requiring lobbying and the checkoff won't be used to fund Board activity of its voting members.

What about use of the checkoff to pay attendance expenses of state beef council representatives in the House of Delegates?

The checkoff will pay those expenses. But House members only make recommendations, as existing joint committee members only make recommendations. State beef council representatives will attend House meetings to promote the interests of the checkoff and facilitate coordination which will improve the effectiveness of the checkoff. And while they'll be free to discuss and vote on any House matter, they won't be required to do so and they can abstain from voting.

Is it legally okay for the restructured NCBA Board to have final say over expenditures of the checkoff?

Yes. Since the start of the checkoff, the boards of all Operating Committee contractors have had the final say over checkoff expenditures covered by their contracts. But remember, Operating Committee contracts specify the program areas being funded and the boards of all contractors must honor those specifications (and "firewall" requirements) or be subject to legal sanction.

What about dollars state beef councils pool with NCBA?

It's the same thing. If a contributing state beef council specifies the program area in which its contribution is to be used, NCBA must abide by the specification. If there is no specification, NCBA may use contributed dollars only for an activity allowed under the Act and Order. In every case, NCBA must strictly comply with "firewall" requirements. That's no change from current practice.

In a reorganized NCBA, who will perform the Federation's duty under the Act and Order to elect representatives to the Operating Committee?

Only Federation members.

Is there a legal problem with the proposed Nominating Committee screening candidates to be elected by the Federation to the Operating Committee?

No. Only the Federation will elect its Operating Committee representatives. Nominating Committee recommendations will be purely advisory as have been the recommendations of the joint industry nominating advisory committee in past years. The Federation will remain free to establish a procedure for other nominations, e.g., from the floor, in addition to those offered by the Nominating Committee.

What about the legality of having the House of Delegates elect the Board and Officers of a restructured NCBA?

It's okay. The Act and Order regulate *use* of the checkoff. They do not specify who is to elect the boards or officers of those who receive contracts from the Operating Committee or checkoff dollars from state beef councils.

Do legal considerations about a restructured NCBA differ from the business merits of the proposal?

Very much so. The Task Force believes its proposal passes legal muster. If a legitimate legal concern remains let it be placed on the table now for open examination.

December 8, 2009

Ms. Jan Lyons, Co-Chair, NCBA's Governance Task Force
Mr. John Queen, Co-Chair, NCBA's Governance Task Force
9110 East Nichols Ave, Suite 300
Centennial, Colorado 80112

Dear Jan and John,

We wish to thank you for the invitation to meet with you, representatives of the Federation of State Beef Councils (Federation) and NCBA staff on November 24, 2009 in NCBA's Washington, D.C. office to discuss the Governance Task Force's (GTF) revised conceptual framework to reorganize NCBA's governance structure (Recommendations). We also appreciate the invitation to join you as you presented your Recommendations to the leadership of the Agricultural Marketing Service of USDA (AMS). We wish to take this opportunity to expand on our initial comments about your revised conceptual framework since there was inadequate time to review your presentation document (Document) prior to our meeting with AMS officials on November 24.

Although the primary intent of your presentation to AMS was to determine the legality of your conceptual framework, we wish to focus our comments on the appropriateness of certain aspects of your Recommendations. One caveat must be noted - we are responding to the Recommendations that were presented in the webinar to our Executive Committee as well as our understanding of the subsequent changes discussed in the above-mentioned meetings. We understand there may have been additional changes to your Recommendations after those meetings.

We recognize your Recommendations are a work in progress. We would like to work with you to achieve a governance structure for NCBA that is favorable as both a trade organization and a contractor to the Cattlemen's Beef Board.

We were gratified to learn that you revised some of your Recommendations in response to certain concerns expressed by our Executive Committee in its October 31, 2009 letter to the GTF, specifically, removing the requirement for the Board of Directors to sign a loyalty oath to NCBA and creating more openness in program committee participation by allowing non-NCBA members to participate. However, we remain concerned about the following issues:



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Combined House of Delegates (Policy/Membership and Federation Representatives)

As a result of our discussions in Washington, D.C., we better understand the GTF's intention of creating a stronger Federation by recommending a House of Delegates comprised of representatives from both policy/membership organizations and the Federation (i.e., state beef councils) and allowing Federation members to participate fully in discussing and voting on policy issues. We agree that a stronger Federation should be the cornerstone of any changes made to NCBA's governance structure. However, we do not agree the current Recommendations would strengthen the Federation. In fact, we remain concerned about a loss of identity for Federation members since their only responsibility would be choosing two officers plus eight additional members to the Beef Promotion Operating Committee.

We also came to understand that you are recommending that state beef councils investing in the Federation would have only a 40% vote in determining the expenditure of the checkoff funds they have invested in NCBA. We are not sure we communicated our concern adequately in our discussion and wish to restate it here; namely, we are apprehensive that state beef councils will be less inclined to continue their current levels of investment in the Federation if they don't see a strong role for the Federation and this could result in fewer funds available for national checkoff programs. This opinion is voiced based on Federation history; however, we recognize that state beef councils will be able to express their views as they react to a document you are preparing for distribution.

In addition, your Recommendations would result in 60% of the votes in the proposed House of Delegates at NCBA being controlled by membership and service organizations, not state beef councils. This recommendation is extremely troubling to us since the non-checkoff representatives of the proposed House of Delegates could recommend a Federation budget which would not be acceptable to 100% of the Federation representatives since they only have a combined 40% of the votes. Once again, we recognize that state beef councils will be able to express their views as they react to a document you are preparing for distribution. Our intention is to highlight a potentially significant concern and not to imply that CBB has authority over the governance structure of the Federation.

Federation Members of the House of Delegates Voting on Membership/Policy Recommendations at NCBA

Another issue surfaced because your Document indicated you have not decided if checkoff funds will be utilized to pay the expenses of Federation directors as they participate in NCBA's policy determination. We think it is very likely that members of other beef-industry trade organizations paying into the beef checkoff would be very distressed to learn that some of the monies they have invested in programs of beef promotion, research, and education are being expended to develop regulatory or membership policies of NCBA to which they may be diametrically opposed. We strongly encourage additional consideration by the GTF about the wisdom of using checkoff funds to reimburse expenses incurred while participating in policy development.

Our recommendation to the GTF on the above issue is to continue precluding Federation members from voting on policy and membership issues of NCBA. This will avoid trepidation

that checkoff funds would be used to support the policies of any one membership organization. This would also be consistent with CBB's policy for not reimbursing travel expenses for the portion of CBB members' time involved in formal association membership activities. In fact, CBB strictly prohibits its members from taking part in voting on policy issues during meetings of committees to which they were appointed, such as the Joint International Markets Committee. This is the reason that CBB, Federation and NCBA members use different colored voting cards during committee meetings and board meetings. Since page seven of your Document did not properly reflect CBB's practice in this area, we ask that you revise your Document to accurately reflect CBB's current practice.

While we recognize the desire to more fully achieve an additional level of integration, efficiency, unity and sense of ownership that is represented by one interpretation of the 1996 merger of BIC and NCA, we wish to offer some information for your further consideration. As noted in the third paragraph of CBB's Executive Committee letter of October 31, 2009 to the GTF, there remains the stated desire of many in the industry for a greater separation of Federation and policy/membership activities so there is a clearer understanding in the industry of Federation processes and expenditures. Your Recommendations appear to move in the opposite direction of those views and this change may elicit a very divisive reaction. It is possible that moving Federation directors into one NCBA policy organization, as has been proposed, may create more difficulties than solutions. We also ask that you keep in mind there are a significant number, and in some states a majority, of state beef council directors who represent non-NCBA affiliate organizations. It would be unfortunate if the Recommendations yielded some unintended consequences.

NCBA Board of Director Approval of Federation Budget

Your Recommendation for the NCBA Board of Directors to approve all Federation budgets raises concerns because there would be no requirement for a certain portion of the NCBA Board of Directors to be elected from Federation representatives and there would be no requirement for the NCBA Board of Directors to approve a Federation budget that was recommended by the Federation. Under NCBA's current structure, Federation division members approve Federation budgets. We acknowledge that the current bylaws authorize the full NCBA Board of Directors to modify the Federation budget, but that requires a supermajority vote (66 2/3%). We continue to think the Federation should control its budget and expenditures without risk of modification by non-Federation representatives.

Approval of Committee Structure and Leadership



Your Document indicated a recommendation for the NCBA Board of Directors to approve committee formation and appointments of committee leadership, but was silent about the process for determining the committees and appointing committee leadership. Should CBB, the Federation and NCBA choose to continue working together through a joint committee structure, we think our current processes of jointly determining the committee structure and jointly appointing committee leadership would need to continue. We would like to discuss these processes with you in more detail when you reach this level of detail in your deliberations.

Distribution of GTF Recommendations

As you arrive at a final set of Recommendations, we encourage you to share your conceptual framework not only with state beef councils and affiliates, but also with other organizations within the beef industry whose members also feel a sense of ownership and pride in the Beef Checkoff Program.

Once again, we appreciate your invitation to respond to your work in progress. We remain committed to working with you to build the strongest possible governance system that is responsive to all beef producers investing in the beef checkoff and one that increases profitability in all sectors of the beef industry.

Sincerely,

Lucinda Williams
CBB Chairman

Dan Dierschke
CBB Vice Chairman



Tom Jones
CBB Secretary/Treasurer

cc: CBB Executive Committee
Tom Ramey, CBB
Craig Morris, USDA/AMS
Kenny Payne, USDA/AMS
Craig Shackelford, USDA/AMS
Wayne Watkinson, McLeod, Watkinson and Miller
Forrest Roberts, NCBA
Kendal Frazier, NCBA

NCBA Governance Task Force

NCBA Governance Task Force

Jan Lyons , Co-Chair

John Queen , Co-Chair

Bruce Berven (IA)

Bill Brandenburg (CA)

Patti Brumbach (WA)

Clifford Dance (MS)

Terry Fankhauser (CO)

Jon Ferguson (KS)

Mike John (MO)

Scott Jones (SD)

Michael Kelsey (NE)

John Lacey (CA)

Dave Maples (KY)

Billy Powell (AL)

Larry Rooks (FL)

Dick Sherron (TX)

Brent Tanner (UT)

Dave True (WY)

Sid Viebrock (WA)

Garry Wiley (MI)

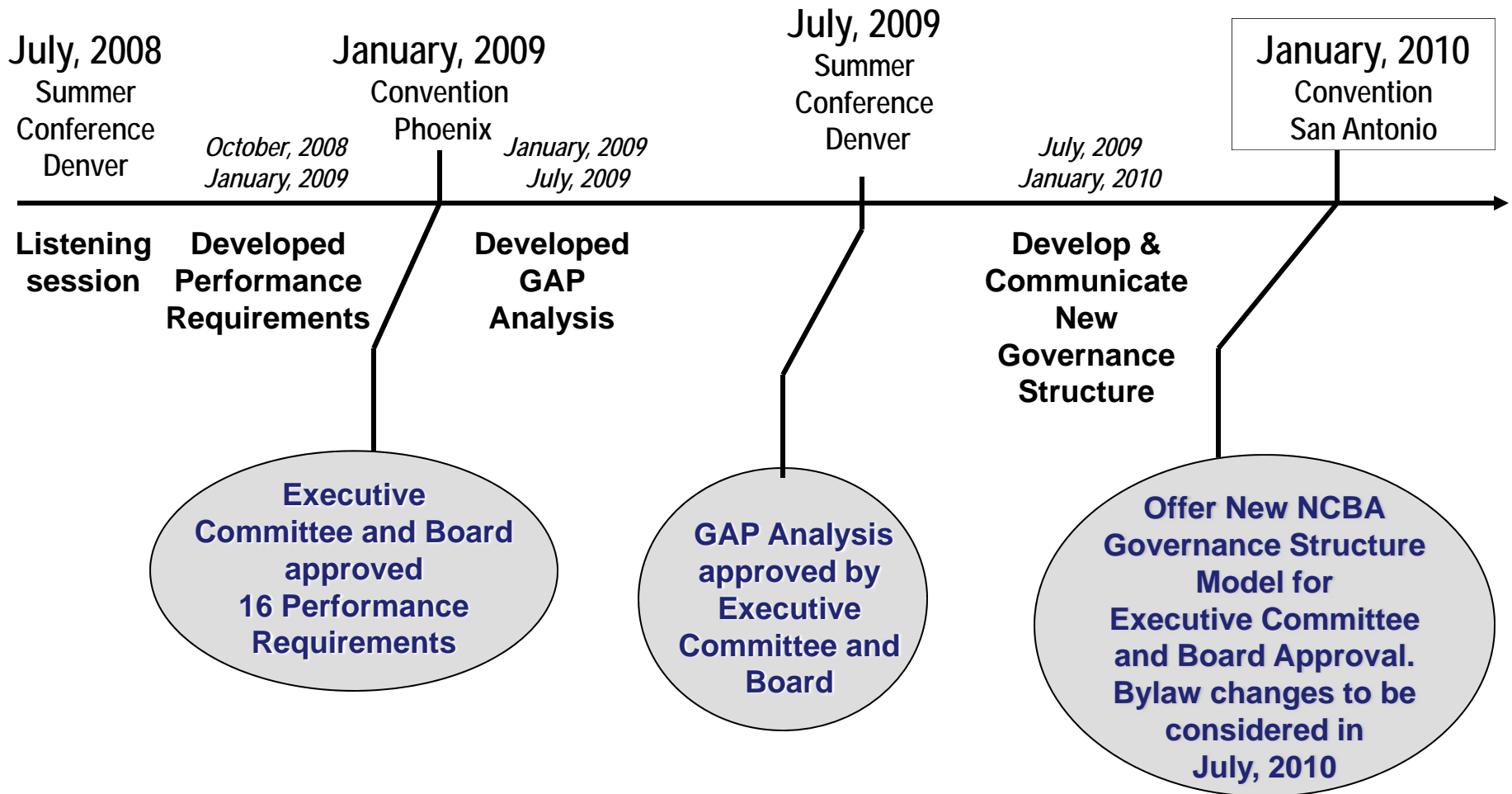
Ross Wilson (TX)

Kendal Frazier (Staff)

Michael Gallery, Consultant

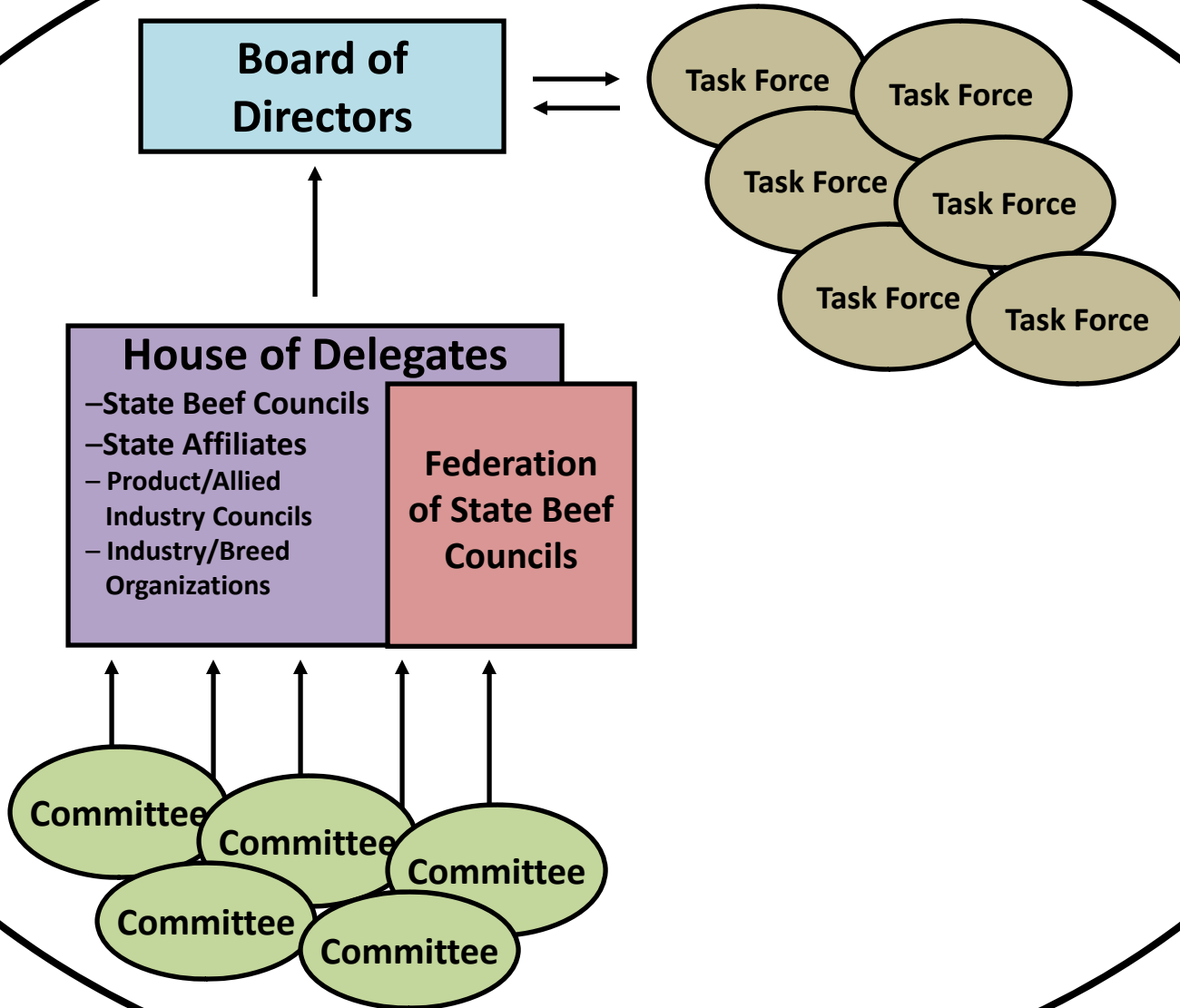
Colin Rorrie, Consultant

Time Line...



NCBA Governance Task Force

NCBA



**National Cattlemen's
Beef Association**

NCBA Board of Directors

House of Delegates
 -State Beef Councils
 -State Affiliates
 -Product/Allied Industry Councils
 -Industry/Breed Organizations

Federation of State Beef Councils

Task Force
 Task Force
 Task Force

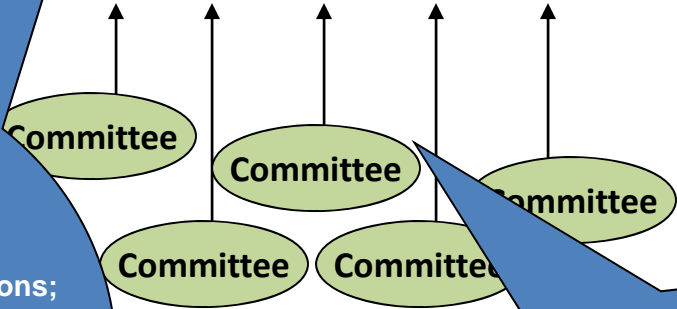
Task Forces
 Established and appointed by the Board to accomplish specific tasks

Board of Directors
 Total Members - 29
 26 members elected by House of Delegates -- including 5 Officers
 CEO and Federation Chair & Vice Chair are ex-officios
 Must be individual NCBA member
 Has legal and fiduciary responsibility for organization
 Approves organization budget

Federation Duties as Required by Act & Order
 Elects Chair and Vice Chair of the Federation and eight members to the Beef Promotion Operating Committee

House of Delegates
 Total Votes - 250
 100-State Beef Council
 100-State Affiliate
 50-Industry & Breed Organizations; Allied Industry/Product Council
 Votes per organization/association established by investment schedule
 Receives recommendations from committees or member organizations
 Makes recommendations to Board

Committees
 Committees approved by the Board
 Participants are Members & Members of Member Organizations or invited participants
 Make proposals to House of Delegates
 True grass-roots participation

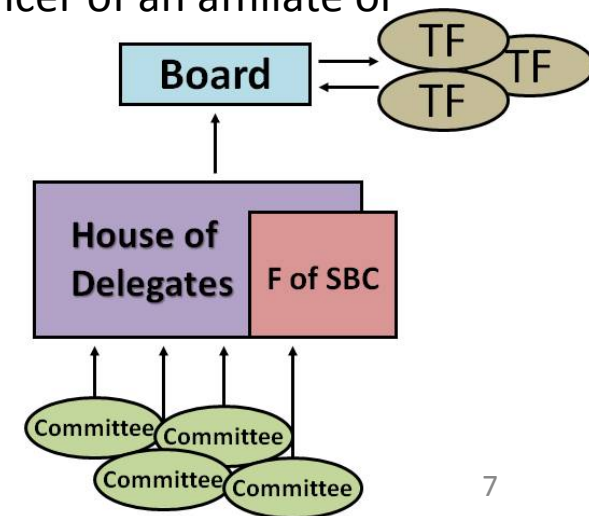


Officers

- President, President-Elect, Vice President, Treasurer and Immediate Past President
- Elected by House of Delegates
- Nominating Committee recommends uncontested slate of officers to the House of Delegates (provision for floor nominations)
- Officers serve as the Executive Committee and on the Board of Directors

Qualifications:

- Must be an individual Member of NCBA
- Should have a thorough understanding of the industry
- Recommend that they are currently, or have been, an officer of an affiliate or member beef council
- Must have time to devote to officer role
- Must have served in the House of Delegates or previous NCBA Board
- Must have vested interest in the beef industry
- Must acknowledge fiduciary responsibility to NCBA



Board of Directors

Role: Policy setting body of the organization with legal and fiduciary responsibility
(Policy defined as more than government policy)

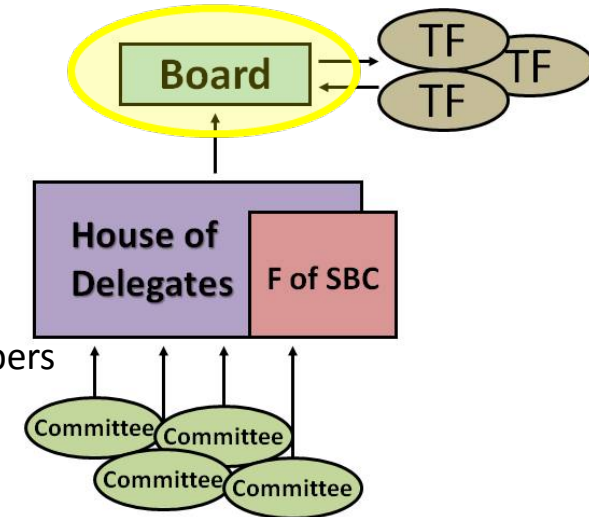
- Develops Strategic Plan
- Hires and Fires CEO
- Approves Budget
- Approves Committees and Task Forces
- Voting members expenses paid 100% by NCBA with non-checkoff dollars

Composition:

- 29 members (includes five officers and three ex-officio members)
- Federation Chair and Vice Chair will serve as ex-officio (non-voting) members
- CEO is a non-voting member of the Board
- Board of Directors elected by House of Delegates
- Term: three-year term eligible for re-election for one additional term
- President-Elect can serve during year six and be in office for two more years
- Nominating Committee recommends more candidates than there are open board seats

Qualifications:

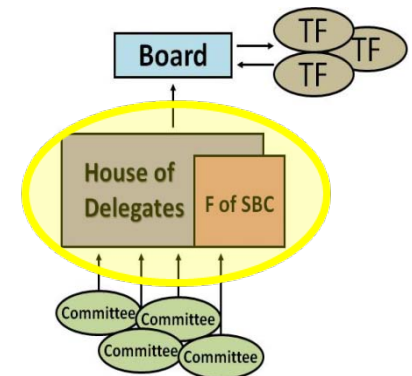
- All voting members must be an individual member of NCBA
- Should have experience on affiliate or state beef council board(s)
- Should have working knowledge of both checkoff and affiliate programs and issues
- Must understand the organization
- Should have served in the NCBA House of Delegates or previous NCBA Board
- Must have time to devote to the job
- Must have vested interest in the beef industry
- Must acknowledge fiduciary responsibility to NCBA



House of Delegates

Role: Makes recommendations to the Board of Directors and elects officers and members of the Board of Directors

- Members are State Beef Councils and State Affiliates which qualify through an investment schedule
- Members are Product Council, Allied Industry Council, Breed Associations and other industry organizations which qualify through an investment schedule
- NCBA President serves as Chairman of the House of Delegates
- Voting for all items based on % of investment within segment (e.g. affiliates, beef councils, etc.)
- A minimum level of investment will be established
- Votes limited to 250 (100-Affiliates, 100-State Beef Council, 50-Product Council/Allied Industry/Breed/Other Organizations)
- Proxy voting is permitted
- Delegates may vote on all agenda items (a delegate may elect to abstain from voting on any issue)
- Cannot override Board decision
- Receives recommendations from member organizations and committees
- No task force or committee work is done by the House of Delegates
- House receives report from Board on recommendations from House

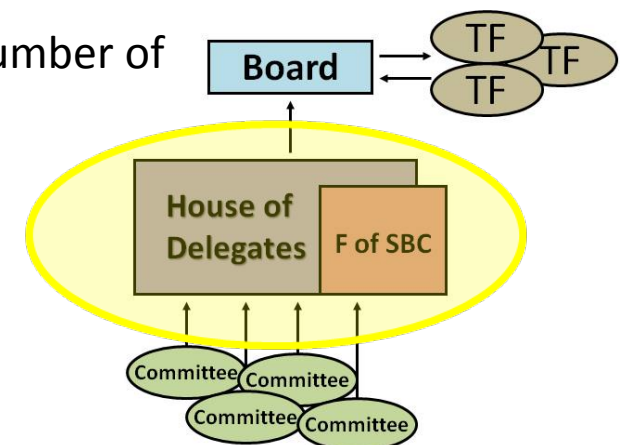


House of Delegates (*cont.*)

- Resolutions/issues/program recommendations assigned to reference committees
- Example reference committees:
 - Administration, Education, Public Policy, Strategic Plan, Beef Demand
 - Any member of a member organization can present to the reference committees, but only reference committee members can vote on a recommendation to the house of delegates.
 - Reference committee members must be delegates and they are appointed by the president
- Estimated voting percentages of members (State Affiliates – 40%, State Beef Councils – 40%, Product/Allied Industry Councils – 15%, Breed/Other Organizations – 5%)
- Board of Directors conduct an annual evaluation of number of delegates allocated to each member

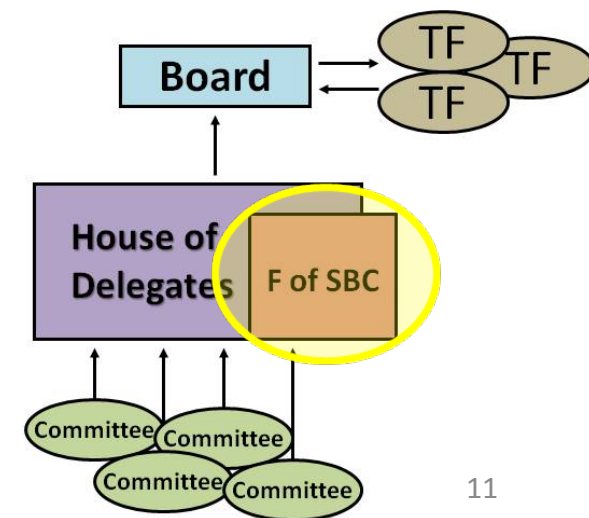
Qualifications:

- Must be chosen by member organizations
- Must be an NCBA member or a member of an NCBA member organization



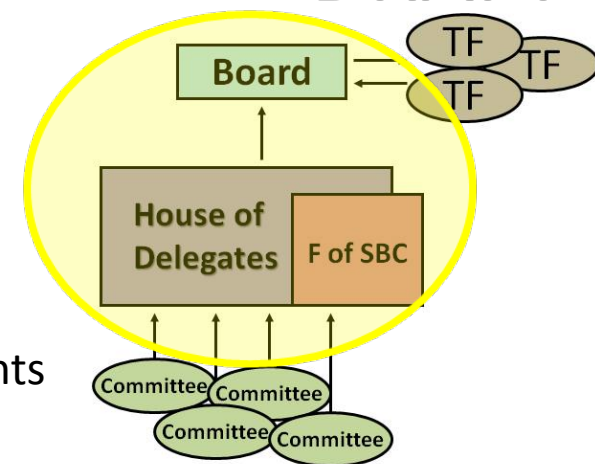
Federation of State Beef Councils

- Statutorily defined body
- Resides within NCBA House of Delegates with 100 votes
- Elects members to the Beef Promotion Operating Committee and Federation Chairman/Vice-Chairman
- Provides input on coordinated state/national checkoff funded programs
- Supplies members to the Committees and Task Forces



Nominating Committee

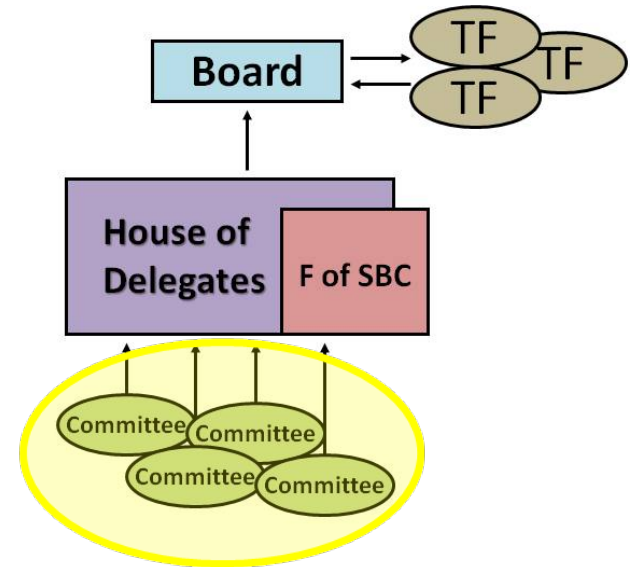
- Nine members
- Four elected by the House of Delegates
- Two elected by the Board of Directors
- Two Past NCBA Presidents elected by the Past NCBA Presidents
- Immediate Past NCBA President serves as Chairman – non voting except in the case of a tie
- No more than one person from any member organization
- Two-year staggered terms
- Recommends contested slate of Board of Directors candidates to the House of Delegates
- Recommends uncontested slate of Officers to the House of Delegates
- Nominations accepted from the floor in the House of Delegates for Board of Director or Officer candidates
- Recommends a slate of nominees for the Operating Committee as well as Chair and Vice Chair of the Federation
 - Federation delegates will elect the eight Operating Committee members, Chair and Vice Chair. Nominations can be accepted from the floor.
- Solicits and recruits officer candidates
- Balanced representation (checkoff, policy, etc.)



Committees

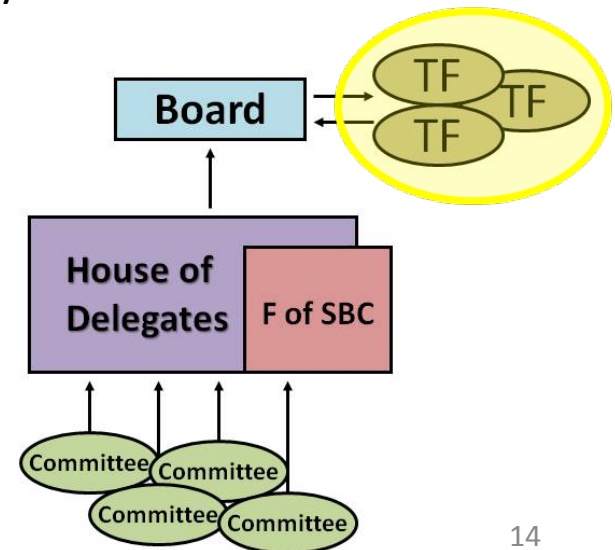
Role: Meeting of like-minded industry participants

- Examples of, but not limited to, the following groups:
 - Feeders
 - Food Safety
 - Cow/Calf Producers
 - Beef Demand
 - Seedstock Producers
 - Environment
- Make proposals to the House of Delegates
- The Committees are the grass-roots' interests filtering up
- Different from Task Forces where the structure and tasks are determined by the Board
- Half-day to one-day meetings
- Committees approved by the Board of Directors and the Board approves the Chair and Vice Chair for each approved committee
- Participation and voting on a committee is open to any NCBA member, member of a member organization or invited participant.
- The Board may work with other entity(s) to determine selected committees and task forces



Task Forces

- Established and appointed (or reappointed) by the Board of Directors annually or as needed
- Exist to accomplish assigned task(s) and help with implementation of Long Range Plan/NCBA Strategic Plan
- Smaller than current committees with defined membership
- Task Force members are members of an NCBA member organization industry participants or invited participants
- Policy recommendations from a task force may be approved by the Board on an interim basis. The Board may refer interim policy to the House of Delegates for further consideration.



CEO

- Non-voting member of the Board of Directors
- Fulfills Secretary role for organization
- Makes all personnel decisions
- Implements Strategic Plan

Membership Structure

Structure: Hybrid

Members

- State Cattlemen's Associations, State Beef Councils, Product and Allied Industry Council, Breed Associations and other Industry Organizations
 - Membership based on an investment schedule
- Individual NCBA memberships
- \$100 minimum dues and fair share
- Feeder dues 12.5 cents per head
- Affiliate Fee \$5,000 for FY2010

Next Steps

- New structure concept will be presented for consideration to the Executive Committee and Board of Directors, in January, in San Antonio.
- If a structure concept is approved, new by-laws will be developed for consideration by the Board at the 2010 Summer Conference.

NCBA Governance Task Force

NCBA Governance Task Force Questions and Answers

Why are changes needed?

We're in a fight for our lives. Forces lining up against the cattle industry are getting larger and more powerful. The industry is facing tough issues and well-funded adversaries. To succeed during these challenging times, it's crucial the industry act quickly and speak with a strong, united voice. The proposed structure enables NCBA to act quickly and get the job done. But one thing doesn't change: NCBA continues to get its direction from grassroots producers who participate in local and state meetings.

The Governance Task Force conducted a deliberate process identifying and analyzing problems in the current structure such as: the Board of Director's authority and accountability is difficult to quantify in a board with 274 members; committee work isn't driven by a strategic plan; the current structure hasn't been conducive to effectively addressing members needs; and focus on industry priorities has been difficult to achieve and many areas of the governance structure are divided into sides which has resulted in an unproductive "we/they" culture. The problems and gaps in the current structure were discussed and approved by the Board last July. The proposed structure was designed to correct those problems and to make NCBA more nimble to address the challenges we face as cattlemen.

How would it do this?

We would have committees that report into a House of Delegates that elects officers and members of a smaller Board of Directors, who can make timely decisions and mobilize for the fight.

Officers would include the President, President-Elect, Vice President, Treasurer and Immediate Past President, who would serve as the Executive Committee and on the Board.

The Board of Directors would set policy and programs for the organization and have legal and fiduciary responsibility. Twenty-six members including the five officers would be elected by the House of Delegates.. This body approves budgets, policy and programs, committees and task forces. The Federation Chair and Vice Chair would be ex-officio members. The CEO is an ex-officio member and reports directly to this body.

The House of Delegates would be composed of members of State Beef Councils and State Affiliates that qualify through an investment schedule. Members would also include the Product Council, Allied Industry Council, Breed Associations and other industry organizations qualified through an investment schedule. Delegates would be limited to 250, of which 100 would be affiliate representatives and 100 would be representatives of state beef councils.

The Federation of State Beef Councils would continue to be a body defined by federal law with financial firewalls that protect checkoff integrity. The Federation would maintain demand-building principles. It would reside within the House of Delegates, electing its own Chairman, Vice Chairman and Federation members to the Beef Promotion Operating Committee.

The Nominating Committee would consist of nine members who would recommend an uncontested slate of Officers and a contested slate of Board of Directors candidates to the House. It would recommend a nominee slate for the Operating Committee, the Federation Chairman and Vice Chairman to the Federation.

Committees would make proposals to the House of Delegates and consist of grassroots producers to address common areas of issues and interests. Membership on the committees would be open to NCBA members, members of member organizations (breed or cattle affiliates or state beef councils) and invited participants.

Task Forces would report directly to the Board of Directors and have specific assignments such as helping with implementation of the Industry Long Range Plan or NCBA Strategic Plan.

The CEO would be a non-voting member of the Board of Directors, reporting to the Board, serving as Secretary for the organization, hiring and managing staff, and implementing the Strategic Plan.

How does this improve what already exists?

It has a decision-making process that can focus on industry priorities. It enables NCBA to act quickly on producers' direction to effectively address through policy and programs the challenges we face as cattlemen. It accomplishes this without sacrificing grassroots input. It improves the ownership among stakeholders and aligns NCBA governance with its Strategic Plan and the Industry Long Range Plan.

Does this mean grass-roots producers have less say?

Not at all. In fact, any interested NCBA member or member of an NCBA member organization can attend and participate in the Committees to express their opinions and views – and all NCBA members are encouraged to do so. Active debate and discussion is expected in the Committees as well as the House of Delegates as members of each determine which policies and programs need to be deliberated by the Board.

How does this affect the firewall between checkoff funds and non-checkoff funds?

The accounting firewall remains in place and is as strong as ever. No checkoff funds can be used to influence government action, and regular third-party auditing is done to assure that no comingling of Checkoff and non-Checkoff funds takes place.

Would Policy still be established by members?

Yes. It would begin at the local and state level like it does today, brought forward to Committees like today, discussed in the House of Delegates and then forwarded to the Board.

Is this structure legal?

The Task Force was charged with only considering structures that complied with the law – especially requirements of the checkoff Act and Order. It worked closely with private counsel and consulted others knowledgeable about commodity board legal issues. It also asked the U.S. Department of Agriculture several times if it saw any legal deficiency in the structure. No individual or entity has identified any specific legal issues that are inconsistent with the Act and Order.

What about the regions?

The cattle industry has changed dramatically since the regions were established many years ago. Many cattlemen operate in multiple states with operations that include multiple segments of the industry. While the Task Force didn't recommend a structure based on regions, like-minded individuals from a geographical region or segment of the industry can come together and form a Committee.

Will the joint checkoff planning process with the Beef Board continue?

The joint process that NCBA conducts with the Beef Board for planning checkoff-funded programs has been successful and it has achieved significant results. The process operates under a Joint Operating Agreement between the two organizations. There is no reason why the process can't continue in the new structure.

When would the new structure take effect?

The new structure concept will be presented for consideration to the Executive Committee and the Board of Directors at the January 2010 Convention in San Antonio. If the concept is approved by the Board in San Antonio, new by-laws will be developed and reviewed by the Board at the 2010 Summer Conference. If the by-laws are approved, implementation of the new structure would officially begin.

Who is making this structure recommendation?

Appointed in July 2008 to examine ways to improve NCBA's structure, the NCBA Governance Task Force is comprised of Jan Lyons (Co-Chair, KS), John Queen (Co-Chair, NC), Bruce Berven (IA), Bill Brandenburg (CA), Patti Brumbach (WA), Clifford Dance (MS), Terry Fankhauser (CO), Jon Ferguson (KS), Mike John (MO), Scott Jones (SD), Michael Kelsey (NE), John Lacey (CA), Dave Maples (KY), Billy Powell (AL), Larry Rooks (FL), Dick Sherron (TX), Brent Tanner (UT), Dave True (WY), Sid Viebrock (WA), Garry Wiley (MI), Ross Wilson (TX) and Kendal Frazier (NCBA staff).

Structure Details:

Officers include the President, President-Elect, Vice President, Treasurer and Immediate Past President, who serve as the Executive Committee and are on the Board. Officers:

- Are recommended (uncontested) to the House of Delegates by the Nominating Committee, with a provision for floor nominations;
- Are elected by the House of Delegates; and
- Serve as the organization's Executive Committee and are on the Board of Directors.

An officer:

- Must be an individual NCBA member;
- Should have a thorough understanding of the industry;
- Is, or has been, an officer of a member organization;
- Must have time to devote to his or her officer role;
- Must have served in the House of Delegates or on a previous NCBA Board; and
- Must have a vested interest in the beef industry.

The Board of Directors has the legal and fiduciary responsibility for the organization and sets its policy (Policy is defined as more than government policy). It:

- Has 26 voting members (including the 5 officers) elected by the House of Delegates;
- Has 3 ex-officio (non-voting) members: the Chair and Vice Chair of the Federation and CEO;
- Board of Directors elected by House of Delegates;
- Develops the strategic plan;
- Hires and fires the CEO;
- Approves the budget;
- Approves the Committees and Task Forces; and
- Voting members expenses paid 100% by NCBA with non-checkoff dollars.

A Board member:

- Will have a three-year term and be eligible for one additional term;
- Must be an individual NCBA member;
- Should have experience on an affiliate or state beef council board;
- Should have a working knowledge of both checkoff and affiliate programs and issues;
- Should have served in the NCBA House of Delegates or on a previous NCBA Board;
- Must have time to devote to the job; and
- Must have a vested interest in the beef industry.

The House of Delegates is responsible for electing officers and the Board, and makes recommendations on policy and other action that will be deliberated by the Board. It:

- Is composed of State Beef Council and State Affiliate members qualifying through an investment schedule;
- Also includes members representing the Product Council, Allied Industry Council, Breed Associations and other industry organizations qualifying through an investment schedule;
- Is limited to 250 votes representing affiliates (100), state beef councils (100) and others (50);
- Is chaired by the NCBA President;
- Has voting for all items based on a percentage of investment with segment;
- Receives recommendations from member organizations and committees; and
- Allows all delegates to vote (or abstain from voting) on each agenda item.

A House of Delegates Member:

- Must be chosen by a member organization; and
- Must be an NCBA member or a member of an NCBA member organization.

The Federation of State Beef Councils continues to be a statutorily-defined body. It:

- Resides within the House of Delegates with 100 votes;
- Elects eight members to the Beef Promotion Operating Committee, as well as the Federation Chair and Vice Chair;
- Provides input on coordinated state/national Checkoff-funded programs; and
- Supplies members to the Committees and Task Forces.

The Nominating Committee:

- Consists of nine members, four elected by the House, two by the Board and two Past NCBA Presidents elected by the past NCBA Presidents;
- Is chaired by the Immediate Past NCBA President (non-voting, except in case of tie);
- Has no more than one member from any member organization;
- Has two-year staggered terms;
- Recommends an uncontested slate of officers and contested slate of Board of Directors candidates to the House (provision for floor nominations);
- Recommends a nominee slate for the Operating Committee and Chair and Vice Chair of the Federation;
- Solicits and recruits officer candidates; and
- Has balanced checkoff and policy representation.

Committees are comprised of like-minded industry participants and make proposals to the House of Delegates. The Board may work with other entities to determine selected Committees. Committees:

- Represent a wide variety of grass-roots beef producers with like-minded interests (for example, food safety, cow-calf producers, beef demand, seedstock producers, environment);
- Make proposals to the House of Delegates;
- Participate in half-day to one-day meetings;
- Are approved by the Board of Directors, with the Board approving the Chair and Vice Chair; and
- Are comprised of NCBA members, members of a member organization or invited participants.

Task Forces report directly to the Board of Directors and have specific assignments. Policy recommendations from a task force may be approved by the Board on an interim basis. Task Forces:

- Are established and appointed (or reappointed) annually or as needed by the Board of Directors;
- Accomplish assigned tasks and help with implementation of Long Range or NCBA Strategic Plans;
- Have defined membership and are smaller than Committees; and
- Consist of NCBA members, members of NCBA member organizations and invited participants.

The CEO:

- Is a non-voting member of the Board of Directors;
- Serves as Secretary to the organization;
- Is responsible for all NCBA personnel decisions; and
- Implements the Long Range Plan and NCBA Strategic Plan.