January 20, 2011

Honorable Tom Vilsack
United States Secretary of Agriculture
U.S. Department of Agriculture
1400 Independence Ave., S.W.
Washington, D.C. 20250

The Honorable Eric Holder
United States Attorney General
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530-0001

The Honorable Phyllis K. Fong
USDA Office of Inspector General
Room 117-W Jamie Whitten Bldg
1400 Independence Ave SW
Washington, DC 20250

Via Facsimile and E-mail

Re: Supplement to R-CALF USA’s Jan. 17, 2011 Urgent Request to Deny Final NCBA/CBB Resolution Regarding NCBA’s Misuse of Beef Checkoff Dollars; Request for Immediate Suspension of NCBA’s Contract Pending a Thorough Investigation Into NCBA’s Misuse of Beef Checkoff Dollars

Dear Secretary Vilsack, Attorney General Holder, and Inspector General Fong:

In its January 17, 2011, letter to you regarding the above captioned matter, R-CALF USA called the Cattlemen’s Beef Promotion and Research Board’s (CBB’s) finding of $216,944 in improper Beef Checkoff Program (Checkoff) expenditures by NCBA intolerable. Also, among the more obvious concerns raised in R-CALF USA’s letter, R-CALF USA stated:

The supporting documents also reinforce what many cattle producers believe – that the Federal Government is subsidizing NCBA’s political and policy agenda with Checkoff dollars. We are deeply concerned that while CBB’s acknowledges that NCBA charged the Checkoff for expenses incurred during activities involving both Checkoff and NCBA policy elements, it has nevertheless decided not to demand reimbursement for NCBA policy activities within its final resolution, even when all expenses were found to have been charged to the Checkoff.

Below are just a few specific examples contained in the supporting documents for the final resolution proposed by the CBB regarding the National Cattlemen’s Beef Association’s (NCBA’s) misuse of Checkoff dollars that substantiate R-CALF USA’s grave concern that the Federal Government is subsidizing NCBA’s political agenda through the Checkoff. We believe a joint, comprehensive investigation by USDA, USDA’s Office of Inspector General (OIG), and the U.S. Department of Justice (Justice Department) will find even more evidence of corruption,
conflicts of interest, and other unlawful expenditures of Checkoff dollars. Meanwhile, NCBA’s contract should be immediately suspended given the grievous nature of its misconduct.

1. The CBB found that a senior NCBA member recorded his/her time to the Checkoff for participating in the International Stockmen’s Education Foundation (ISEF) meeting that was held for the purpose of developing revenues for the ISEF, and the CBB determined the expenses were properly coded to the Checkoff.¹

R-CALF USA Discussion:

According to the ISEF Web site, a purpose of the ISEF is to conduct and support educational events that will benefit stockman internationally.² To carry out this mission, the ISEF raises money and sponsors the International Livestock Congress, which focuses on major international issues that impact the beef and horse industries.³ The National Cattlemen’s Foundation, the purported “philanthropic arm of the National Cattlemen’s Beef Association (NCBA),”⁴ has made at least one generous financial contribution to the ISEF’s International Livestock Congress in the amount of $15,000.⁵

The Deputy Administrator for the U.S. Department of Agriculture’s Agricultural Marketing Service (AMS), Craig Morris, Ph.D., who oversees the Checkoff, is listed as a current board member of the ISEF⁶ along with officials of NCBA, the National Meat Association, AgriFood Solutions International, the U.S. Meat Export Federation, FPL Food LLC, and JBS Swift & Co., to name a few.⁷

³ See id.
Thus, by allowing the Checkoff to pay for NCBA’s meeting expenses to develop revenues for the ISEF, which clearly is not an authorized purpose of the Checkoff, USDA is helping its Deputy Administrator raise money for a private, industry-led organization, to which he owes a fiduciary duty, and apparently rewarding NCBA for making a financial contribution to the ISEF’s International Livestock Congress through NCBA’s National Cattlemen’s Foundation. In addition to representing a clear conflict of interest, this transaction exemplifies how USDA is subsidizing NCBA through Checkoff dollars to help NCBA address and/or influence policy issues through the ISEF. On the surface, this transaction gives the impression that USDA is a co-conspirator in NCBA’s misuse of Checkoff dollars.

R-CALF USA believes it is entirely inappropriate for the government regulator of the multi-million dollar Checkoff to not only share a fiduciary responsibility with the Checkoff’s principal contractor – the NCBA – to an international, industry-led organization, but also to approve Checkoff expenditures by NCBA that directly benefit the international, industry-led organization.

2. The CBB found that NCBA charged the overhead cost pool for travel expenses and two months worth of time for a new senior staff member to attend “the Policy Division’s Spring Legislative Conference,” which clearly is a policy-related meeting. Nevertheless, the CBB does not appear to have requested any reimbursement for those expenses, presumably on the grounds that the expenses were incurred during the employee’s first week of employment and since that time, expenses have been properly classified.8

R-CALF USA Discussion:

Because CBB has not requested full reimbursement for the time the NCBA employee was known to have spent on policy- and legislative-related matters, USDA has effectively subsidized NCBA’s policy and legislative agenda.

3. The CBB found that a senior NCBA staff member coded registration to the overhead cost pool to attend a meeting of the Five Nations Beef Conference in New Zealand. The CBB concluded that the expenses were properly coded since the meeting “relates to all aspects of the work performed by NCBA.”9

R-CALF USA Discussion:

The stated goals of the Five Nations Beef Conference (now called the Five Nations Beef Alliance) include: 1) pushing for further trade liberalization at the WTO; 2) encouraging all nations to implement the international guidelines of the World Organization for Animal Health

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8 See Attachment, Page 15, Tracking No. 3.
9 See Attachment, Page 17, Tracking No. 9.
(OIE); 3) encouraging all nations to move forward with an animal identification system; and, 4) pushing for the removal of tariff and non-tariff barriers, the elimination of export subsidies and substantial reductions in domestic support.\textsuperscript{10}

Many, if not most or all, of the goals of the Five Nations Beef Alliance are exclusively directed at influencing global trade policy. It is completely inappropriate for Checkoff dollars to be used to help NCBA and the Five Nations Beef Alliance fulfill their shared policy objectives, but that is exactly what USDA is doing by allowing NCBA to subsidize its past participation at the Five Nations Beef Conference with producers’ Checkoff dollars without ascertaining whether any of the meeting met the requirements for reimbursement under the Checkoff.

4. The CBB found that NCBA’s policy for NCBA board members and officers was to split travel expenses evenly (50/50) between the NCBA’s policy division and the Federation, including trips to the White House. The CBB concluded that it was “very difficult” to allocate officer travel between the divisions and determined that the shared expenses were appropriate.\textsuperscript{11}

R-CALF USA Discussion:

It appears that USDA is allowing NCBA officers and Board members to subsidize their travel expenses through the Checkoff, even though their expenses do not relate to the Checkoff, but do relate to NCBA’s policy initiatives, including lobbying the Administration. This means for every dollar in membership dues that R-CALF USA’s CEO and board members expend on travel to advance R-CALF USA’s member-policy initiatives, NCBA, when working to accomplish its respective member-policies in opposition to R-CALF USA, only pays $.50 of each dollar from its policy division and the other $.50 of each dollar is paid by every producer that pays into the Checkoff. That means thousands of R-CALF USA members, because they each pay into the Checkoff, are paying each full dollar that R-CALF USA expends on travel to advance their policy agenda, and they also are paying $.50 of each NCBA’s dollar spent on NCBA travel through their Checkoff contributions to help NCBA defeat R-CALF USA’s member-policy initiatives. This level of subsidization is intolerable as it ensures that NCBA maintains a distinct financial advantage over R-CALF USA and other organizations when furthering its political and policy agenda.

Contrary to CBB’s determination, it is not rocket science to allocate expenses in accordance with the percentage of costs and time actually attributable to Checkoff-approved costs versus the costs and time spent on non-Checkoff activities. It is unconscionable that USDA has allowed NCBA to allocate 50 percent of all NCBA officer and Board member travel to the Federation, without regard to the percentage of time these officers and Board members devoted

\textsuperscript{11} See Attachment, Page 18, Tracking No. 10.
to non-Checkoff activities. This inexplicable subsidization of NCBA’s policy efforts through Checkoff dollars is outrageous and must be stopped immediately.

5. The CBB found that two NCBA employees coded their entire Young Cattlemen’s College trip, which included “both Checkoff and Policy elements,” to the Checkoff and concluded that no adjustment is necessary because professional development of NCBA employees is eligible for Checkoff funding.\(^\text{12}\)

**R-CALF USA Discussion:**

USDA, USDA-OIG, and the Justice Department should determine whether the Young Cattlemen’s College is a non-NCBA organization or if it is actually NCBA’s Young Cattlemen’s Conference. NCBA’s Young Cattlemen’s Conference is a program designed to build industry leaders under the tutelage and direction of NCBA, and it is incomprehensible that NCBA’s tutelage would not include a significant indoctrination element to build support for NCBA’s policy initiatives.\(^\text{13}\) It is inappropriate for Checkoff dollars to be used to support NCBA’s indoctrination efforts related to NCBA’s policy objectives.

**CONCLUSION**

The foregoing examples describe fundamental violations of the purpose, intent, and spirit of the Beef Promotion and Research Act of 1985 (the Act), the Beef Promotion and Research Order (the Order), and the contract between NCBA and the Beef Promotion Operating Committee (BPOC). These violations must be addressed immediately. R-CALF USA has provided citations and supporting documents that substantiate each of its findings described above. If any of R-CALF USA’s factual assertions are in error, R-CALF USA will retract any mistakes that may be contained in this letter within 24 hours. If no inaccuracies are identified within 24 hours, then R-CALF USA respectfully requests that USDA, USDA-OIG, and the Justice Department take decisive action to preserve the integrity of the Checkoff.

Sincerely,

Bill Bullard, CEO

Attachment

Cc: Craig Morris, PhD

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\(^\text{12}\) See Attachment, Page 10, Tracking No. 5.