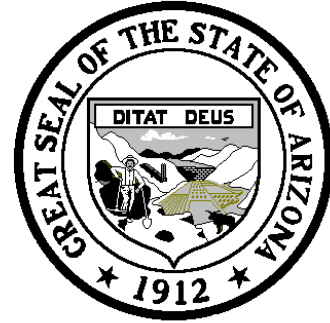


RECEIVED

By Chief Clerk's Office at 4:27 pm, Dec 14, 2017

Sunset Review of the Arizona Beef Council



Report December 2017

SENATE MEMBERS

Senator Gail Griffin, Co-Chair
Senator Sylvia Allen
Senator Judy Burges
Senator Andrea Dalessandro
Senator Lisa Otondo

HOUSE MEMBERS

Representative Darin Mitchell, Co-Chair
Representative David L. Cook
Representative Wenona Benally
Representative Rosanna Gabaldón
Representative Becky A. Nutt

TABLE OF CONTENTS

I. **Report**

- A. [Background](#)
- B. [Committee of Reference Sunset Review Procedures](#)
- C. [Committee Recommendations](#)

II. **Appendix**

- A. [Arizona Beef Council's Response to the Sunset Factors](#)
- B. [Meeting Notice](#)
- C. [Minutes of the Committee of Reference Meeting](#)
- D. [Arizona Beef Council's Handout](#)

Background

Pursuant to [A.R.S. § 41-2953](#), the Joint Legislative Audit Committee assigned the sunset review of the Arizona Beef Council (Council) to the Senate Natural Resources, Energy and Water and the House of Representatives Land, Agriculture and Rural Affairs Committee of Reference (COR).

The Council was established by Laws 1970, Chapter 87 "to provide the cattle industry with authority to establish a self-financed program to help market, develop, maintain and expand the state, national and foreign markets for beef and beef products". The Council is comprised of nine members; three of whom are producers of range cattle, three cattle feeders and three dairymen. All members are appointed by the Governor to serve a three-year term ([A.R.S. § 3-1232](#)).

The national Beef Checkoff Program was established as part of the 1985 Farm Bill and assesses \$1 per head on the sale of live domestic and imported cattle, in addition to a comparable assessment on imported beef and beef products. With the passage of the Beef Promotion and Research Act and the Beef Promotion and Research Order, the Council was authorized to become a qualified state council to collect the checkoff monies for the Cattlemen's Beef Promotion and Research Board (CBB). The national Beef Checkoff Program assessment became mandatory when the program was approved by 79% of producers in a 1988 national referendum vote.

For every checkoff dollar collected in Arizona, the Council remits 50¢ to the CBB and retains the balance for in-state programs and administration costs. The entire \$1 is remitted to the CBB in states without qualified councils and from importers. In Arizona, the Arizona Department of Agriculture (ADA) collects the checkoff at the same time as brand inspections ([A.R.S. § 3-1236](#)) and remits the assessment to the Council monthly, less a 5% administration fee. In FY 2016, the Council remitted \$311,907 to the CBB and \$16,985 to the ADA.

The Council's in-state programs focus on education, nutrition, retail and food service promotion. According to the FY 2016 Annual Report, the Council expended \$171,990 for promotions and consumer information and \$42,637 for retail and foodservice.

Committee of Reference Sunset Review Procedures

The COR held one public meeting on Wednesday, November 8, 2017, to review and consider the Arizona Beef Council's responses to the sunset factors (See *Appendix A*) and to receive public testimony (See *Appendix C*). Testimony was received from Lauren Maehling, Executive Director of the Arizona Beef Council (See *Appendix D*).

A video recording of the committee can found at:

http://azleg.granicus.com/MediaPlayer.php?clip_id=19946

Committee Recommendations

The Committee of Reference recommended that the Legislature continue the Arizona Beef Council for eight years.



ARIZONA BEEF COUNCIL
"Beef Promotion, Education and Research"

August 28, 2017

Representative Darin Mitchell
Chairman, House Land, Agriculture & Rural Affairs Committee of Reference
1700 W. Washington
Phoenix, AZ 85007

RE: Arizona Beef Council Sunset Review

Dear Representative Mitchell:

The Arizona Beef Council Board of Directors respectfully requests the Committee of Reference consider a recommendation to continue the Arizona Beef Council for 10 years. The Arizona Beef Council and its promotion and research programs are solely funded by private beef producer dollars collected via a \$1 per head checkoff.

The Arizona Beef Council is a non-regulatory program established under ARS Title 3, Chapter 11, and Article 2. The program has great support from Arizona's beef producing families for its continuation.

Attached is the information you requested for the sunset review process. If you have the need for any further information, I can be reached at (602) 273-7163 or at hmaehling@arizonabeef.org.

Sincerely,

Lauren Scheller Maehling
Executive Director

Sunset Factors for the Arizona Beef Council
Prepared August 23, 2017

1. The objective and purpose in establishing the agency and the extent to which the objective and purpose are met by private enterprises in other states.

Laws 1970, Ch. 87, §1; Laws 1988, Ch. 12, §5; and Laws 1998, Ch. 5 §3 have consistently provided that: "The legislature intends by this act to provide the cattle industry in this state with authority to establish a self-financed program to help market, develop, maintain and expand the state, national and foreign markets for beef and beef products produced, processed or manufactured in this state and to encourage the use and consumption of such beef and beef products."

Pursuant to § 3-1233 the council shall:

1. Receive and disburse funds under the provisions of this article to be used in administering the provisions of this article.
2. Annually elect a chairman from among its members. No chairman shall succeed himself more than once.
3. Elect a secretary-treasurer who may be from among its members.
4. Meet regularly every three months and at such other times as called by the chairman or when requested by five or more members of the council.
5. Keep a permanent record of its proceedings and prepare for the governor and the beef industry an annual report of its activities, receipts and expenditures.

B. The council may:

1. Conduct or contract for scientific research to discover and develop improved marketing methods for beef and beef products, including programs of consumer education and protection.
2. Disseminate reliable information, founded upon research; showing uses or probable uses of beef and beef products.
3. Study state and federal legislation with respect to tariffs, duties, reciprocal trade agreements, import quotas and other matters concerning the beef industry.
4. Sue and be sued as a council, without individual liability, for acts of the council within the scope of the powers and duties conferred upon it by this article.
5. Enter into contracts to carry out the purpose of the council as provided in this article, including contracts for promotion of beef and beef products and development of new markets through such promotion.
6. Appoint advisory groups composed of representatives from organizations, institutions or businesses related to or interested in the welfare of the beef industry.
7. Make grants to research agencies for financing special or emergency studies, or for purchase or acquisition of facilities necessary to carry out the purposes of the council.
8. Appoint subordinate officers and employees of the council and prescribe their duties and fix their compensation.

9. Cooperate with any local, state or nationwide organization or agency engaged in work or activities similar to or related to those of the council, and enter into contracts with such organizations or agencies for carrying on joint programs.
10. Act jointly and in cooperation with the state or federal government, or both, or any agency thereof in the administration of any program of the government or of a governmental agency deemed by the council as beneficial to the beef industry of this state, and expend funds in connection therewith.
11. Adopt rules and regulations necessary to carry out the provisions of this article.
12. Adopt, rescind, modify or amend all proper regulations, orders and resolutions for the exercise of its powers and duties.

The Cattlemen's Beef Board (CBB), the national checkoff governing board of beef producers, oversees and approves the ABC's annual market plan and budget. Including Arizona, there are 43 other states with qualified state beef councils.

2. The extent to which the agency has met its objective and purpose and the efficiency with which it has operated.

All of the Arizona Beef Council's efforts begin with the development of an Annual Market Plan. These programs and projects are developed by nine appointed Arizona beef producers and is carefully coordinated with state and national organizations to maximize cost and staff effectiveness. Fifty percent of our promotion dollars are allocated to national development programs, allowing Arizona to bring these programs back to Arizona for implementation. This allows the ABC staff to concentrate on input and implementation rather than development costs.

The ABC effectively implements programs through development and participation in the industry's Long Range Plans (updated every five years) focusing on: exports, consumer trust, and beef's value (2016-2020 LRP attached). Market research continues to measure the identify drivers for beef demand. The drivers we focus on are taste, convenience, nutrition, safety, and tenderness. Regarding consumer preference, tenderness, often considered the most important economic factor, has improved 34 percent since measurement began in 1990 (see enclosed *State of the Beef Industry* booklet). The checkoff-funded research in all consumer preference areas is important to the entire beef community.

Safe Beef: The beef checkoff is committed to safety research to ensure the production of safe and wholesome beef products. The industry initiated a ground-breaking food industry program to aggressively research and reduce foodborne illnesses associated with beef. In late 1992 and early 1993, knowledge of E. coli O157:H7 and its effect on human health were mostly unknown. Thanks in part to these efforts, the total number of E. coli O157:H7 illnesses was down 25 percent in 2009 compared to the 2006-2008 period—the lowest since 2004. With this decline, E. coli O157:H7 incidence met the "Healthy People 2010" goal of no more than one case per 100,000 people. Cattle farmers and ranchers have tackled food safety challenges by building and leading a non-

competitive, science-based, collaborative approach. And the industry is committed to long-term food safety improvements. From 1993 through 2011, cattlemen invested more than \$30 million of their beef checkoff dollars to beef safety efforts.

Educating Consumers on Cooking Beef: Despite improved product safety, consumer education on proper cooking remains a priority. In a beef checkoff-funded food safety survey conducted in December 2010, the vast majority of consumers (79%) said they determine doneness of a ground beef patty by looking at some combination of color and juices. Only 10 percent said they use a meat thermometer, down four percentage points from July 2010. The beef industry recognizes that everyone from cattle farmers and ranchers, to packers and processors, retailers and food service operators and consumers play a role in food safety. The “Safe and Savory at 160 F” program, which is primarily disseminated through major retailers and the www.BeefItsWhatsForDinner.com website, teaches consumers how to safely handle, prepare and cook ground beef to a safe 160 degrees Fahrenheit using an instant-read meat thermometer.

3. The extent to which the agency serves the entire state rather than specific interests.

On behalf of all who own cattle in Arizona, the ABC has operated within the public interest by providing research monies to develop and discover food safety intervention methods to reduce the incidence of food borne illness. We have developed and provided beef information at no cost to the consuming public via culinary events and through retail and foodservice partners regarding nutrition, cooking methods and safe handling information about beef. The ABC offers classroom presentations and lesson plans to high school and college culinary and agriculture classes to educate on food handling, food safety, nutrition and production information regarding beef and ranching in Arizona.

All of the beef checkoff’s nutrition and health information dissemination is guided by our “Statement of Principles Regarding Nutrition and Health” (attached) to ensure scientifically-guided promotion and dissemination of information.

4. The extent to which rules adopted by the agency are consistent with the legislative mandate.

The ABC operates under the rules and regulations developed for the Beef Promotion and Research Act of 1985 by the Cattlemen’s Beef Promotion and Research Board and the United States Department of Agriculture. These rules are consistent with the legislative mandate. These federal rules and specific procedures are communicated to producers and collection points by the ABC. This is accomplished by presentations at producer forums, auction markets and annual publications. The Arizona Department of

Agriculture, Animal Services Division is kept apprised of these rules and operates closely with the ABC on Beef Checkoff issues.

5. The extent to which the agency has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

The ABC, in conjunction with the Cattlemen's Beef Promotion Board and the United States Department of Agriculture, diligently encouraged input from the public on both collection procedures and actual promotion program content. The public, universities, and other agricultural non-profit organizations are notified 90 days prior to development of the ABC's Annual Market Plan for input and program requests. Any proposed changes in these federal rules are preceded by discussions with industry leaders and the public through a variety of industry publications and forums. The ABC routinely communicates promotion program content and progress through local cattlemen and dairymen meetings, public speaking appearances, and articles in industry literature, correspondence and direct mail contact encouraging public comment or suggestions.

6. The extent to which the agency has been able to investigate and resolve complaints that are within its jurisdiction.

Response to producer complaints is prompt and courteous. Whenever procedure clarification is needed, the ABC communicates in writing and the appropriate documentation is provided. Any necessary investigations are coordinated with the Cattlemen's Beef Board, United States Department of Agriculture and the Arizona Department of Agriculture to ensure any necessary corrections are made. If the complaint is from a consumer regarding specific beef information, details are documented, problem is investigated and the suggested correction is made back to the consumer. If a complaint regarding incorrect nutrition labeling on a package of fresh beef occurred, it would result in the ABC approaching the appropriate retail outlet and discuss the information. Our recommendation may be to adjust the label with specifically based data from our office.

7. The extent to which the attorney general or any other applicable agency of state government has the authority to prosecute actions under the enabling legislation.

Failure to comply with the state beef checkoff collection is a class 2 misdemeanor. ABC would forward non-compliance complaints to the Arizona Attorney General's office for prosecution under the state statute. In its 46-year history, ABC has only filed one complaint for non-compliance.

8. The extent to which agencies have addressed deficiencies in their enabling statutes which prevent them from fulfilling their statutory mandate.

The Arizona Beef Council was created in 1970 by the Arizona Legislature “to provide the cattle industry with authority to establish a self-financed program to help market, develop, maintain and expand the state, national and foreign markets for beef and beef products” (Laws 1970, Chapter 87, Section 1. Legislative intent; and Section 2. Title 24, Chapter 1, Article 4; titled Arizona Beef Council). At its inception, 10 cents per head were collected. The Arizona beef checkoff preceded the federal Act and Order, which became law in 1985, at which time Arizona’s checkoff collection matched the federal law at \$1.00 per head.

The beef industry has twice requested legislation be introduced to increase checkoff funding. These increases were a reflection of change from a commodity-type marketing program to a consumer-oriented one. It has allowed for the expansion of program content to address consumer needs and was necessary for beef to compete in today’s marketplace. A legislated checkoff has ensured uniform collection procedures where all producers are treated in the same manner and allowed to accept responsibility for marketing beef as a finished product. This type of self-help program avoids government subsidy since the ABC even pays the Arizona Department of Agriculture for the cost of collection.

9. The extent to which changes are necessary in the laws of the agency to adequately comply with the factors listed in this subsection.

There are no changes necessary to enhance the ABC’s compliance with the factors associated with this review. The ABC always assumes the responsibility for being accountable to the producers who pay the checkoff. The ABC is subject to the strictest financial audit each year and the Cattlemen’s Beef Board conducts a procedural audit of the ABC on a recurring basis. The ABC always wants the Arizona Department of Agriculture to keep proper collection records and work with the ABC on collection issues.

10. The extent to which the termination of the agency would significantly affect the public health, safety or welfare.

Eliminating the ABC would not significantly harm the public health, safety and welfare; it would affect the quality of consumer information regarding nutrition and the safe handling of beef. It is important that consumers have access to current food safety and nutrition information and the ABC provides such a service. The ABC’s primary objective is to help market, maintain and develop markets for beef. The elimination of ABC would limit Arizona’s ability to expand beef marketing opportunities.

Furthermore, consumers are increasingly disconnected from how food is grown and raised. Today, less than 2% of the United States population is directly involved in farming and ranching. The ABC provides information to connect Arizona beef ranchers and dairymen to consumers by sharing stories of how cattle are raised in Arizona. Annually, the ABC hosts several Gate to Plate tours to culinary students, teachers, and dietetic and nutrition students and professionals. The Arizona Beef Blog (www.ArizonaBeefBlog.com) shares interest stories from the Arizona range directly from beef farmers and ranchers.

11. The extent to which the level of regulation exercised by the agency compares to other states and is appropriate and whether less or more stringent levels of regulation would be appropriate.

The ABC does not regulate cattle producers. It simply implements the producer-directed efforts for beef promotion and research. No change is needed.

12. The extent to which the agency has used private contractors in the performance of its duties and how more effective use of private contractors could be accomplished.

ABC utilizes private sector contractors for a variety of services whenever possible. For example, the ABC contracts with private printing companies for production of brochures and newsletters. It contracts with private contractors for bookkeeping, administrative and receptionist services. The production and design of public displays and booths is contracted and the implementation of a variety of promotion programs is contracted with private parties. For advertising, ABC has contracted with outdoor advertising agencies for billboard coverage.

13. The extent to which the agency potentially creates unexpected negative consequences that might require additional review by the committee of reference, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.

The ABC does not directly market beef or beef products and therefore has no influence over pricing of goods. The Council does not create unexpected negative consequences. In fact, the materials offered by the ABC allow individuals and businesses to operate more freely due to the offering of free beef materials including beef cut charts (example provided), point of sale materials, educational materials, recipe inspirations, and market research data. The materials are offered free of charge to all including Arizona foodservice operators, retailers, teachers, and beef producers.

Additional written responses:

1. Identify the problem or needs that the agency is intended to address.

The ABC fulfills the need for cattle producers to have a focused and effective producer-directed promotion and research program. The ABC provides the location and programs for a single clearing house for producers to direct resources towards the promotion and research programs which best serve their businesses. In addition, the ABC provides a location for consumers to address questions and find resources regarding food preparation, nutrition and food safety.

2. State, to the extent practicable, in quantitative and qualitative terms, the objectives of the agency and its anticipated accomplishments.

The ABC's annual marketing plan is our guide post for the programs implemented throughout the year. The ABC focuses on increasing the demand for beef while providing a healthy, safe and nutritious meal choice for consumers.

Education: A key tenet of the ABC, we offer resources and learning opportunities to educators and students. Five Arizona-designed lesson plans are on website for free download as well as offering in-class presentations to high school culinary and agriculture classes. ABC offers "Beef Up the Classroom Grants" to help teachers purchase beef for their classrooms so they can have first-hand learning in cookery, taste tests, and nutrition information. In fiscal years 2016 and 2017, 4,800 Arizona students were reached directly (see attached program reach documents).

Retail and Foodservice: ABC is a promotional resource to Arizona retail and foodservice operators. To retail, the checkoff provides free point-of-sale materials and beef cut charts and recipe brochures to customers. To foodservice chefs and distributors, the checkoff offers tours, recipe and menuing inspiration, staff training materials and Beef U (www.beefu.org) – a free, interactive training program for restaurant wait staff and retail meat counter associates.

Advertising: The tools we utilize to reach Arizona families have changed over the years. A transition from print, newspaper and radio advertising has shifted on online outlets like Facebook, Twitter, Instagram, blog and website. With new technologies, the ABC is able to meet the consumer where they spend the most time – on their smart devices – and share Arizona ranchers' stories and beef information. In Arizona, we also have www.ArizonaBeef.org and www.ArizonaBeefBlog.com. www.BeefItsWhatsforDinner.com is the Beef Checkoff Program's go-to hub for recipes and all beef information.

The checkoff's "Beef. It's What's for Dinner." campaign continues to resonate with consumers as a trusted brand that encourages beef as fuel to maintain a healthy, active

lifestyle. From a promotional standpoint, the Beef Checkoff is on track to have 40 million video views in 2017. This includes Beef. It's What's for Dinner expanding to new digital platforms such as Hulu, a platform that is expected to bring in 11.5 million views on its own. As social media continues to evolve, video remains one of the best performing types of content. The checkoff has stayed on the cutting edge of new technology and opportunities with such things as Facebook Live, which is the capability to broadcast an activity in real time. This July, the Beef Checkoff hosted a "Be Your Own Butcher" Facebook Live from the Beef. It's What's for Dinner Culinary Center. The event featured a hands-on cutting demo by in-house meat scientist. This event reached nearly 140,000 consumers on the Facebook platform, with more than 38,000 views and 1,300 engagements (likes, comments, shares) – the highest performing Facebook Live event to date.

A new endeavor for 2017 was a campaign on Ibotta, which is like a couponing app but pays you money for certain purchases. In exchange, the consumer is asked to do a simple task like view a recipe, answer a question or watch a video. This campaign was funded by the Federation of State Beef Councils and promoted by the Beef Checkoff. The beef "coupon" had more than 1 million unlocks with a 35% redemption rate, which is 13% higher than the average on the Ibotta platform.

3. Identify any other agencies having similar, conflicting or duplicative objectives, and an explanation of the manner in which the agency avoids duplication or conflict with other such agencies.

There are no other agencies which perform the objectives or services provided by the ABC. While there are other "general nutrition" messages conveyed by Departments of Health, none of these are directing research and education focused efforts about the role of beef in a healthy lifestyle. Our partnerships with private retail outlets regarding beef promotion, with Arizona dietetic intern programs, Gate to Plate Tours for schools, and beef in the classroom curriculum kits, are not replicated anywhere else.

4. Assess of the consequences of eliminating the agency or of consolidating it with another agency.

The ABC operates only with checkoff dollars from beef producers. Eliminating it would deprive Arizona's beef producers of a focused and effective beef promotion, research and education program operated by the ABC, a qualified state beef council. Since there are no other agencies performing this type of beef-specific program, utilizing beef producer dollars, there are no likely candidates for consolidation. In addition, the Arizona Department of Agriculture is paid 5% of all ABC collections, which occur while they are already performing other statutorily mandated inspections, and they would lose these revenues if the program were eliminated.

**Arizona Beef Council
Committee of Reference
Attachments**

1. Arizona Beef Council 2015-2016 Annual Report
2. 2016-2020 Beef Industry Long Range Plan
3. *State of the Industry*
4. *Statement of Principles Regarding Nutrition and Health*
5. Beef Cut Chart
6. Fiscal Years 2016 & 2017 Arizona Beef Council Program Reach Numbers

ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

SENATE NATURAL RESOURCES, ENERGY AND WATER AND HOUSE LAND, AGRICULTURE & RURAL AFFAIRS COMMITTEE OF REFERENCE FOR THE SUNSET REVIEW OF THE: ARIZONA STATE LAND DEPARTMENT ARIZONA BEEF COUNCIL

Date: Wednesday, November 8, 2017

Time: 1:15 P.M. OR UPON ADJOURNMENT OF THE LAND, AGRICULTURE AND
RURAL AFFAIRS COMMITTEE

Place: HHR 1

AGENDA

1. Call to Order
2. Roll Call
3. Sunset Review of the Arizona State Land Department
 - Presentation by the Arizona State Land Department
 - Public Testimony
 - Discussion and Recommendations by the Committee of Reference
4. Sunset Review of the Arizona Beef Council
 - Presentation by the Arizona Beef Council
 - Public Testimony
 - Discussion and Recommendations by the Committee of Reference
5. Adjourn

* Pending appointment by the House Committee on Land, Agriculture and Rural Affairs

Members:

Senator Gail Griffin, Co-Chair
Senator Sylvia Allen
Senator Judy Burges
Senator Andrea Dalessandro
Senator Lisa Otondo

Representative Darin Mitchell, Co-Chair
Representative David L. Cook
Representative Wenona Benally*
Representative Rosanna Gabaldón
Representative Becky A. Nutt

10/27/17
jy

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.

ARIZONA STATE LEGISLATURE

SENATE NATURAL RESOURCES, ENERGY AND WATER AND HOUSE LAND, AGRICULTURE AND RURAL AFFAIRS COMMITTEE OF REFERENCE FOR THE SUNSET REVIEW OF THE: ARIZONA STATE LAND DEPARTMENT ARIZONA BEEF COUNCIL

Minutes of the Meeting

November 8, 2017

1:15 p.m., or upon adjournment of the Land, Agriculture and
Rural Affairs Committee, House Hearing Room 1

Members Present:

Senator Gail Griffin, Co-Chair
Senator Sylvia Allen
Senator Judy Burges
Senator Lisa Otondo

Representative Darin Mitchell, Co-Chair
Representative David L. Cook
Representative Wenona Benally
Representative Rosanna Gabaldón
Representative Becky A. Nutt

Members Excused:

Senator Andrea Dalessandro

Staff:

Kathi Knox, Senate Research Staff
Sharon Carpenter, House Research Staff

Co-Chairman Mitchell called the meeting to order at 1:24 p.m. and attendance was taken.

SUNSET REVIEW OF THE ARIZONA STATE LAND DEPARTMENT

Presentation by the Arizona State Land Department

Lisa Atkins, Commissioner, Arizona State Land Department, distributed and explained a PowerPoint presentation entitled "Arizona State Land Department: Natural Resources" (Attachment A) and stated that the department has joined the Governor's effort for the Arizona Land Management System to standardize work for improved customer service. Commissioner Atkins answered questions posed by the Committee.

The Committee shared their comments for the topic mentioned above.

Representative Mitchell asked the audience for public testimony, however, no one came forward.

Recommendation by the Committee of Reference

Representative Mitchell requested a motion on the continuation of the Arizona State Land Department.

Senator Griffin moved that the Committee of Reference recommend to the full Legislature that the Arizona State Land Department be continued for 8 years with the following modifications: that they return to this committee with an update on your strategic plan within the next 4 years. The motion CARRIED by voice vote.

SUNSET REVIEW OF THE ARIZONA BEEF COUNCIL

Presentation by the Arizona Beef Council

Lauren Maehling, Executive Director, Arizona Beef Council, distributed and explained a handout entitled "2016 Arizona Beef Council Annual Report" (Attachment B) and further explained that the Arizona Beef Council has been given the authority to establish an industry finance program to develop, promote and maintain the Arizona market for beef and beef products from the Beef Checkoff Program. Ms. Maehling answered questions posed by the Committee.

The Committee shared their comments for the topic mentioned above.

Representative Mitchell asked the audience for public testimony, however, no one came forward.

Recommendation by the Committee of Reference

Representative Mitchell requested a motion on the continuation of the Arizona Beef Council.

Senator Griffin moved that the Committee of Reference recommend to the full Legislature that the Arizona Beef Council be continued for 8 years. The motion CARRIED by voice vote.

There being no further business, the meeting was adjourned at 2:15 p.m.

Respectfully submitted,

Imee L. Andrew
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at <http://www.azleg.gov>)



2016 ARIZONA BEEF COUNCIL ANNUAL REPORT

Dear Fellow Beef Producers:

I want you to know that while you are working hard to raise beef, beef is working hard for you. Each spring, your Arizona Beef Council (ABC) board and staff create a focused marketing plan to direct the year's educational programs, retail and foodservice marketing, and consumer marketing. If it wasn't for the support of Arizona's cattlemen and dairymen, these excellent programs would not have the incredible impact you will see in this report.

As proof of the important culinary relationships and valuable education programs your staff have built, the Arizona Beef Council was honored as "Business of the Year" from the Arizona Family and Consumer Science Educators. Proof that lesson plans and the "Beef Up the Classroom" grant program are invaluable.

Though it is impossible to capture all your staff does in this report, please enjoy the highlights from 2015-2016 and the important partnership between our state beef council and the national Beef Checkoff Program. You will see some new programs, along with Arizona standards, as we adjust to the needs of our consumer while remaining rooted in promoting the most delicious, safest, and nutritious protein.

Our top-notch staff -- Bas Aja, Lauren Scheller, Tiffany Selchow, and Maria Cadena -- bring ingenuity, professionalism and drive to execute these programs to reach beef consumers across Arizona.

The ABC continued its strong partnership with the Arizona State Cowbelles by providing financial and staff support for important activities including Phoenix Cooks! and the Arizona Beef Ambassador program. We continue to join forces at events to deliver a positive message about beef. The Cowbelles are outstanding boots on the ground.

Thank you to my fellow board members for your commitment to the council by sharing your time, knowledge and foresight. I joined the board in 2010 and have enjoyed this year serving as chairman. I enjoy recalling the programs for which we plan and execute and I hope you enjoy reading through these highlights. You have a tremendous team working for you to keep beef center of plate in Arizona.

Wesley Kerr

Arizona Beef Council Chairman 2015-2016



FOLLOW ARIZONA BEEF COUNCIL ON



@ARIZONABEEF #AZBEEF

WWW.ARIZONABEEF.ORG

CONNECTING WITH FOODIES

ABC and the Arizona State Cowbelles dished up 1,500 beef samples at *Phoenix Cooks*, Arizona's premier culinary event. Checkoff-funded Chef Dave Zino hosted two on-stage demonstrations of beef recipes and tips.

FOODSERVICE AND RETAIL PARTNERS

ABC assisted Arizona foodservice distributors US Foods, Shamrock Food Service and Sysco to promote beef to their customers by providing beef cut charts, education, sales materials, and beef production tours to chefs and restaurateurs.

PUBLIC RELATIONS

Your ABC staff mitigated perils to the beef industry and responded to numerous media requests on topics including beef prices, health reports, and food safety.

SOCIAL MARKETING

The www.arizonabeef.org website was redesigned and is now mobile-responsive and better connected with our social properties. The *Arizona Beef Blog* was launched to feature Arizona ranching stories, recipes, history, and more. To engage and start conversations with Arizona's millennial consumers, beef messages were posted on social media outlets including Facebook, Twitter and Instagram using #AZbeef, totaling 670,000 impressions.

GATE TO PLATE

Made possible by the Federation Initiative Fund, ABC hosted a Gate to Plate tour for Maricopa County and Arizona State University dietetic interns. The group visited the Quarter Circle U Ranch and included a media training session. A second tour for culinary students from the Arizona Culinary Institute took place in the spring with stops at Heiden Land & Cattle Company and JBS Tolleson, Inc. harvesting facility.

BEEF 101

The Beef 101 workshop at the Arizona Cattlemen's Association summer convention featured Shelly Johnson, one of the beef checkoff's registered dietitians, to dispel beef myths and share current beef nutrition information.

CULINARY AND BUSINESS STUDENTS

ABC reached over 150 students at the annual Flex (Fall Leadership Extravaganza) Conference, which invited students from across Arizona in groups such as Family, Career and Community Leaders of America to attend information sessions. ABC covered ways cattle can be raised and the differences between labels on beef packages.

HANDS-ON IN CLASSROOMS

Classroom presentations included beef cutting demonstrations, thanks to a partnership with the University of Arizona and Dr. Sam Garcia of the UA Food Products and Safety Laboratory. These unique presentations showed culinary and agriculture students how the beef carcass is broken down and also included a beef taste test.

SUMMER AGRICULTURE INSTITUTE

ABC assisted with Summer Ag Institute, a week-long continuing education seminar to help teachers gain first-hand experience with Arizona agriculture. Beef-focused stops included Groseta Ranches, Heiden Land & Cattle Company, Perkinsville Meat Processors, and a presentation by Jeremy Kronos of the Diablo Trust.

BEEFING UP CLASSROOMS

The "Beef Up the Classroom" grant program delivered tasty results to 954 students, allowing selected teachers to incorporate beef into their culinary lesson plans.

REGISTERED DIETITIANS LEARN ABOUT BEEF

ABC sponsored the beef-focused keynote speaker and breakout sessions at the Arizona Academy of Nutrition and Dietetics Annual Conference.

TEAM BEEF

Arizona members joined Team BEEF from across the country in Million Mile Month, logging 2,081 miles running, biking, gardening, and cross training, all fueled by beef.

ABC BOARD OF DIRECTORS

Wesley Kerr, Chair, Dairyman
 Norman Hinz, Cattle Feeder
 Linda Brake, Cattle Grower
 Dean Fish, Cattle Grower
 Mary Jo Rideout, Cattle Feeder

Mark Rovey, Dairyman
 Billy Sawyer, Cattle Feeder
 Gary Thompson, Dairyman
 James Webb, Cattle Grower

ARIZONA FEDERATION DIRECTORS

Linda Brake

Norman Hinz

CATTLEMEN'S BEEF BOARD MEMBER

Mary Jo Rideout

STAFF

Bas Aja

Executive Director

Lauren Scheller

Assistant Executive Director

Tiffany Selchow

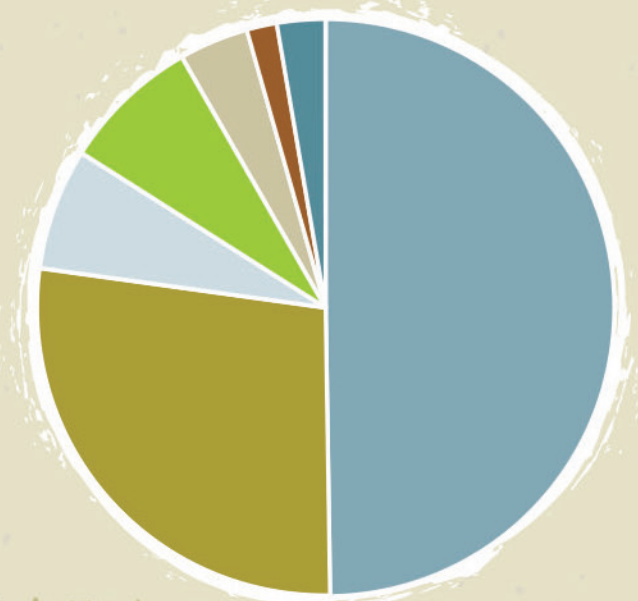
Director of Social Marketing
 and Consumer Outreach

Maria Cadena

Executive Administrative
 Assistant

ARIZONA BEEF COUNCIL FISCAL YEAR 2016 EXPENDITURES

National Program	\$311,907
Promotions & Consumer Information	\$171,990
Retail & Foodservice	\$42,637
Arizona Cowbelle Programs	\$48,435
Producer Communication	\$24,357
Administrative Costs	\$10,587
Arizona Department of Ag Fees	\$16,985
TOTAL	\$626,898



MY FELLOW BEEF PRODUCERS,



When you load the truck bed with feed and turn on the ignition in your pickup, there's a good chance you know your destination ahead of time. When you invest in your Beef Checkoff Program, that knowledge of destination is just as important.

The Beef Industry Long Range Plan 2016-2020 provides beef producers an important sense of direction and purpose. Its 2020 Strategic Objective – to increase the Beef Demand Index measure by 2 percent annually over the next five years – delivers a goal that allows industry leaders and the staffs of contracting organizations to measure their progress for the work they are doing. It also gives producers a key tool to help them determine how well their checkoff dollars are working to build demand for beef.

State beef council and national leaders are already working toward the goals it presents. The four areas you will read about below give us focus to deal effectively with the myriad of issues with which we struggle as an industry. They are a thoughtful, serious effort to make sure our work as an industry has tangible results.

As we struggle with limited budgets and increasing needs, this kind of focus is crucial. There's no question that within our states we have varying priorities and different sets of needs. With an eye toward better management of checkoff dollars, though, our Beef Industry Long Range Plan is a way to get everyone headed toward the final destination.

Yours Truly,



Steve Hanson, Chairman
Federation of State Beef Councils



DRIVE GROWTH IN BEEF EXPORTS

Promote unique attributes of U.S. Beef in foreign markets.

Example: With the support of the Beef Checkoff Program, the U.S. beef industry is finding exciting new opportunities in Japan, one of the most important export markets for its products. In fact, the popularity of U.S. beef in Japan is well-illustrated in the 2016 beef export results. June exports to Japan were the largest in nearly two years, up nearly 30 percent year-over-year. January-June exports climbed 12 percent in volume and 5 percent in value. Japan's import data also show a strong rebound in market share for U.S. beef at 38.5 percent – up from 33 percent in the first half of 2015.



One key focus of this effort is to educate retail and foodservice buyers about the wide range of U.S. beef cuts that appeal to their customers. While Japan has traditionally been known as a destination for forequarter cuts and "thin meats," consumers

are responding very positively to high-quality U.S. middle meats as well as barbecue cuts such as brisket, chuck roll and short ribs. The U.S. Meat Export Federation's (USMEF) checkoff-supported Urban BBQ campaign is designed to show Japanese consumers that American-style barbecue meals can easily be prepared without large smokers or other professional equipment. Through the campaign, the organization explains that preparing American-style barbecue is fun and easy, widening the range of U.S. beef cuts that appeal to Japanese consumers.

Beef tongue also continues to be a mainstay item for Japan. About two-thirds of the tongues harvested from U.S. fed cattle go to that country.

PROTECT AND ENHANCE THE BUSINESS AND POLITICAL CLIMATE FOR BEEF

Develop crisis management plans and attract, develop and enable the next generation.

Example: The beef industry faces many issues not of its own making that could have a negative impact on beef producers and their livelihoods. Playing good defense in cases where bad publicity might impact our industry has been recognized as a crucial element of the Beef Checkoff Program.

In the fall of 2015 the World Health Organization's International Agency for Research on Cancer issued a report that identified red meat as "probably carcinogenic to humans," and processed meats as "carcinogenic to humans." Sensational headlines naturally followed, and significant media exposure assured it would be one of the biggest news days in red meat history. What could have turned out negative ended up balanced, however, thanks partly to experienced preparation and management of the issue by the beef checkoff.

Through spokesperson appearances, releases, fact sheets and many other forms of outreach, the industry responded, and these checkoff-funded efforts were combined with consumer reactions and skepticism that resulted in a stunning occurrence – the WHO clarified its position by saying "the latest IARC review does not ask people to stop eating processed meats" and that it was a "shortcoming" of IARC's classification process that led to its original report.

The efforts did not go unnoticed in the agricultural community. In recognition of the beef industry's checkoff-funded work, the Agricultural Relations Council presented the beef checkoff top honors in the Golden ARC Awards, including first place in the Issues Management category and the Golden ARC de Excellence, the organization's highest honor recognizing excellence in agricultural public relations.

PROMOTE AND STRENGTHEN BEEF'S VALUE PROPOSITION

Revolutionize beef marketing and merchandising, research and communicate beef's nutritional benefits, and connect and communicate directly with consumers.

Example: Beef isn't just for lunch and dinner anymore. And the beef industry has research to back up that statement.



Research conducted by Heather Leidy, Ph.D., of the University of Missouri found that daily consumption of a higher-protein breakfast that included two eggs and 1.5 ounces of beef was superior to both a normal protein breakfast featuring milk and cereal or skipping breakfast altogether, in terms of improving appetite control, curbing food cravings and reducing unhealthy snacking in overweight or obese teenage girls who routinely skip their breakfast meal.

The research was featured in both the *American Journal of Clinical Nutrition* and the *Nutrition Journal*.

"Protein at breakfast appears to be a good target to increase protein intake," Leidy says. "A high-protein breakfast seems to reduce food craving-based neural signals, and improve overall diet quality."

Other research funded through the Beef Checkoff Program verifies the benefit of balancing protein intake throughout the day.

This kind of independent research helps the industry promote healthy diets and optimal protein intake and is used in promotions such as the checkoff-funded 30-Day-Protein Challenge provides sound scientific support to encourage consumers to include beef in their meals throughout the day. Thousands of consumers have become active in the Challenge, thanks to both state beef council and national efforts to promote it.

CATTLEMEN'S BEEF BOARD FISCAL YEAR 2016 EXPENDITURES

Promotion	\$7,483,378
Research	\$9,755,701
Consumer Information	\$7,279,544
Industry Information	\$3,054,637
Foreign Marketing	\$8,123,678
Producer Communications	\$1,460,199
Program Evaluation	\$203,164
Program Development	\$265,182
USDA Oversight	\$349,025
Administration	\$1,746,258
TOTAL EXPENSES	\$39,720,766

Unaudited Numbers

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

GROW CONSUMER TRUST IN BEEF AND BEEF PRODUCTION

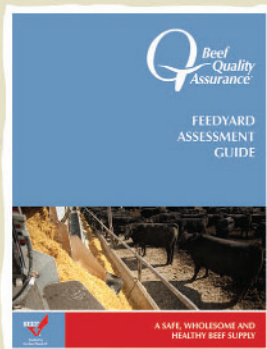
Ensure beef safety, protect beef's image and engage beef advocates.

Example: The checkoff-backed Beef Quality Assurance program delivers to producers a set of best practices for generating quality beef. It does this by supporting practices that focus on good record keeping and protecting herd health, all the way from raising and feeding through transportation, for both traditional beef and dairy operations.

BQA manuals provide straightforward information to U.S. beef producers and a framework for national consistency. At the same time, BQA is state-administered, allowing individual states to determine the best programs that will meet the needs of that state's producers.

The BQA program also gives consumers positive assurances about the beef they eat. It delivers a positive message about the common sense husbandry techniques, founded on accepted scientific knowledge, used in cattle raising today, and reinforces a message about the already strong safety and wholesomeness of the U.S. beef supply. The premise of the program is that when better quality cows leave the farm and reach the marketplace, the producer, packer and consumer all benefit.

BQA is a widely accepted and broadly adopted routine throughout the beef industry. It's estimated that 90 percent of the fed cattle being raised for beef are produced under BQA management practices.



Throughout the past year BQA has worked to grow its resources and tools for beef producers, including revisions and updates of the Feedyard Assessment and a partnership with the dairy industry on the widely accepted Farmers Assuring Responsible Management (FARM) program. The updated Feedyard Assessment, originally developed in 2009, brings the industry accepted-document up-to-date and draws producers' attention to industry topics of

importance, including antibiotic stewardship practices. By partnering with FARM the BQA program will now be able to deliver to dairies throughout the United States important husbandry techniques that can improve the quality of beef coming from the dairy sector.

