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ECONOMIC ANALYSIS OF MEAT PROMOTION

PROCEEDINGS FROM THE NEC-63 CONFERENCE

Adam's Mark Hotel
Denver, Colorado

June 2 - 3, 1995

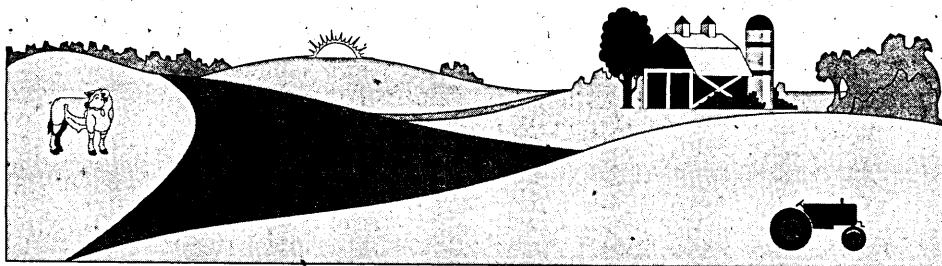
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DISCUSSION SUMMARY

John P. Nichols

The focus of this session was the changing structure and organization of commodity checkoff and trade associations. Bruce Bevern, representing the Cattlemen's Beef Board, reviewed recent developments in merging of several related beef industry organizations. He indicated that the merger is on track for 1996 including the Cattlemen's Beef Board (checkoff program), the National Cattlemen's Association (NCA), the U.S. Meat Export Federation, and possibly the Beef Industry Council (BIC) of the National Livestock and Meat Board (NLMB). The primary purpose is to gain better industry focus, streamline organizations, control cost, and increase effectiveness of programs. Several of the organizations will maintain their separate legal entities but be tied together in one overall organization.

Bevern posed and answered several questions. First: What are the benefits? His answer included references to improved response to changing consumer markets and disposing of the "island mentality" which has existed previously in beef industry groups. The second question was: Is there a conflict of objectives between the trade association (NCA) and the checkoff program (Beef Board)? Bevern acknowledged that that was a big question. He indicated that careful accounting and auditing would assure fiscal integrity of separate funds. Also, while the full Board of the new organization would hear various strategic proposals debated, only the sub-group representing the appropriate group would vote on acceptance or implementation.

The third question was: How can strategic planning and evaluation be enhanced? This is a critical area of attention for the new structure. Recent research by Ron Ward was cited, but Bevern acknowledged that more work was needed to identify returns at the margin and returns for specific programs. The key point is that the planning and evaluation should be for the producers and driven by them. A question was raised about whether producers feel comfortable having packers involved in such an organization in the future. In discussion, the point was made that part of this concern may be tied directly to current profitability problems in the industry.

The pork industry is not undergoing the same type of restructuring. Mike Simpson of the Pork Board provided an overview of the relationships among the Pork Board, the Pork Producers Council (trade association) and the Pork Industry Council (PIC) of the National Livestock and Meat Board. He emphasized the importance of mutual respect and trust in making the relationship work.

In response to a question about public versus private gain, Simpson emphasized that this doesn't have to be a zero-sum game if perceived value increases as a result of improved industry coordination. He identified several strong reasons for having a close working relationship among industry organizations including improved coordination, reduced conflict, reduced administrative costs, and better focus on industry instead of organizational objectives.

A question was posed regarding possible costs to consumers resulting from closer relationships among industry organizations. Simpson responded that consumers could actually get better products with greater value. He also stressed the value of greater collaboration in terms of focusing on a strategic plan for the industry, not for the organization. The industry needs to define the collective interests that can be worked on together. Networking relationships can then develop the maximum total value that can be produced from the system. While economic analysis is

difficult, Simpson indicated that measures of industry progress need to include producer satisfaction, change in consumer perceptions, and overall profitability of the industry.

Ron Ward of the University of Florida tied his discussion of the merger issues to an overview of organizational purpose and function. He pointed out that industry cultures are always different and that the logic and benefits of merging organizations within an industry should be assessed on a case-by-case basis. His discussion included a listing of ten questions which should be asked when considering such organizational restructuring of commodity groups. These questions include legislative intent, potential effects on export markets, and concerns about an uneven distribution of political power among the organizations.

During the discussion period, a question was raised about the impetus for the merger movement in the beef industry. Bevern reviewed the history of the many state councils and failure of a national referendum twice before its final passage. He noted that once the Beef Board was in place and programs operating, conflicts and inefficiencies become apparent. This led to consideration of an entirely new organizational strategy. He indicated that there will continue to be a pressure toward combining organizations and functions in the future.

Bevern was also asked if there was a conflict where the same individuals sit on both boards within the new structure. He indicated that there could be a problem if the members become too "organization" oriented, but he expected a broader industry vision would begin to prevail.

Another question was raised regarding whether increasing market integration (for example NAFTA) would cause problems or slow down the collaboration between checkoff and trade associations because of differing commercial and policy objectives. Neither Bevern nor Simpson saw this as a problem. They indicated that both the beef and pork industries had a "north-south" dialogue going. An integrated North American organization is not likely in the foreseeable future. The trend toward increased market integration could cause the checkoff and trade association groups to work harder to find common interests.