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Overview: Commodity Checkoff Programs

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Currently, there are a number of advertising and promotion programs associated with agricultural commodities. 'Got Milk?' 'Pork. The Other White Meat,' 'Cotton: The Fabric of Our Lives,' 'Beef. It's What's for Dinner,' and 'American Lamb from American Land' are examples of messages from various commodity boards who are attempting to impact the demand for their agricultural products. These messages typically are labeled as generic advertising and promotion and the institutional structure for funding them is referred to as commodity checkoff programs. This theme centers attention on why checkoff programs were instituted initially, how program benefits are measured, the costs associated with various programs, the evidence to support their existence, and the legal challenges surrounding checkoff programs.

Commodity checkoff programs are primarily cooperative efforts by groups of suppliers of agricultural products intended to enhance their individual and collective profitability. Virtually every agricultural commodity has some type of organization dedicated to promoting the economic welfare of its producers funded through some form of fee on sales by producers and often others in the marketing chain. The term "checkoff" refers to the collection of a fee and comes from the concept of checking off the appropriate box on a form, like a tax return, to authorize a contribution for a specific purpose, such as the public financing of election campaigns, or, as in this case, the financing of programs to enhance producer welfare.

The funds collected by checkoff groups are used primarily to expand demand (both domestic and foreign) through both generic advertising efforts and the development of new uses of the associated commodities. Although many checkoff programs also fund research intended to reduce production costs and/or enhance yields, the share of their total budgets spent on research is generally much smaller than the share spent on demand-enhancement activities.

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Contributions to the earliest check-off programs were voluntary. These voluntary programs, however, were plagued by the problem of free-riders, which motivated the supporters of some programs to pressure state, and later federal, legislators to provide them with legislative authority for mandatory checkoff contributions. Currently, federal checkoff programs are in effect for beef, pork, soybeans, eggs, cotton, dairy, mushrooms, honey, peanuts, popcorn, potatoes, watermelon, cultivated blueberries, Haas avocados, and mangos. In addition, federal marketing orders for a wide variety of primarily fruits, vegetables, and nuts are authorized to conduct promotion and research programs. Other checkoff organizations operate under state authority. Also, organizations of commodity producers and/or processors, like the Sugar Association, operate generic promotion programs independent of any state or federal authority.

In this issue of *Choices*, several authors explore the purpose, impact, effectiveness, and legal status of commodity checkoff programs. Ward describes the purpose of checkoff programs, as well as the functions and benefits of these programs. Crespi and McEowen subsequently examine the constitutionality of generic advertising and promotion programs. Additionally, they focus on the repercussions of the Supreme Court ruling in May 2005 regarding the beef checkoff program. Wohlgenant deals with the importance of retail-to-farm price transmission, the nature of checkoff assessments, the effect of supply response, the role of input substitution, the effect of government intervention, the presence of market power, and the industrialization of agriculture in evaluating the economic impacts associated with generic advertising and promotion. Williams and Capps discuss the issues of defining and measuring the effectiveness of checkoff programs. They also center attention on communicating the measurement results to program contributors and stakeholders. Finally, Chung, Norwood, and Ward investigate the degree of producer support for the beef checkoff program.

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