

Checkoff Return on Investment

ROI study shows \$11.20 return on checkoff dollar.

by *Melissa Sandfort, Cattlemen's Beef Board*

In the most comprehensive study ever rendered about the return on investment (ROI) of beef checkoff assessments, Harry Kaiser of Cornell University concludes that each dollar invested in the Beef Checkoff Program between 2006 and 2013 returned about \$11.20 to the beef industry.

"The news for beef checkoff investors couldn't be better," said Kaiser, the Gellert Family professor of applied economics and management at Cornell and director of the Cornell Commodity Promotion Research Program, who shared study results at the 2014 Cattle Industry Summer Conference. "It is clear to me that activities funded through the Beef Board budget have a substantial impact on beef demand in the U.S. and in foreign markets. The return on producers' and importers' investments into this program is vastly greater than the cost of the program."

Commissioned through the checkoff's Joint Evaluation Committee, this new ROI study could be a useful tool for producers who make decisions about how to invest checkoff dollars.

"This really tells us that we're on the right track with how we plan our checkoff programs," said cattleman Ted Greidanus of Visalia, Calif., who chairs the checkoff's Evaluation Committee. "We are accountable to beef producers and importers who fund the work we do with checkoff dollars, so we wanted to know how much difference we were really making in the marketplace, good or bad — and I must say that I am quite pleased at how good the news really is."

Some additional key findings in Kaiser's benefits-cost analysis include:

- ▶ Had there not been any marketing funded by the Cattlemen's Beef Board (CBB) between 2006 and 2013, total domestic beef demand would have totaled 15.7 billion pounds (lb.) — or 11.3% less than it was with the checkoff programs in place. Holding the effects of all other demand drivers constant, the activities funded by the CBB resulted in an increase in beef demand of 2.1 billion lb. per year.
- ▶ Had the National Beef Checkoff Program not invested in foreign-market

development between 2006 and 2013, foreign demand for U.S. beef would have been 6.4% lower.

- ▶ The statistical results indicate that all eight CBB demand-enhancing activities — generic beef advertising, channels marketing, industry information, new-product development, public relations, nutrition research, beef-safety research and product-enhancement research — have a positive and statistically significant impact on increasing per capita beef demand.
- ▶ At the bottom line, the increase in beef demand due to CBB-funded marketing efforts resulted in higher prices for beef producers and importers, which means higher net revenue than they would have experienced without those checkoff programs.

Given the tremendous budget challenges of the checkoff in recent years, the CBB commissioned the all-encompassing study to provide a more thorough evaluation of checkoff activities than it traditionally has. As a result, this new study presents a more complete and accurate picture of checkoff returns and provides a new benchmark.

"Let me caution against trying to compare the results of this study with the 2009 study, which reported a return of \$5.55 on each checkoff dollar," Kaiser said. "This time around, the Beef Board asked for a more comprehensive study than ever before, so I evaluated all commercial beef disappearance, including retail, foodservice and international data over eight years, whereas the 2009 study looked solely at domestic retail data for a five-year period.

"Furthermore," Kaiser continued, "my study analyzed individual categories of nine marketing categories separately, and then brought the categories together to identify an overall beef checkoff return on investment. In 2009, the Beef Board commissioned a study analyzing only the checkoff as a whole."

Greidanus said he is quite confident in the study results.

"As chairman of the Evaluation Committee, I know that Dr. Kaiser's research methods are well-respected, so we are very confident about the analysis and very pleased with the results," Greidanus said. "This tells us that the benefits of all CBB programs are 11.2 times more valuable than their costs. . . . As a cattleman who pays into the program, it's invigorating to know that my investment is making a difference."

Kaiser, who has performed similar analyses for other checkoff programs, said the results should be encouraging to the country's beef producers and importers.

"If I was investing my hard-earned dollars into the checkoff, as beef producers and importers are, I would be proud to do so based on the findings of this study," Kaiser said. "Most of us probably wish we could get that kind of return on all of our expenditures."

Access and download an executive summary and other study highlights at www.beefboard.org/evaluation/140731ROIlandingPage.asp.



Editor's Note: This article was provided by the Cattlemen's Beef Promotion and Research Board, which administers the national beef checkoff program.

An infographic look at beef checkoff ROI results

The checkoff recently developed an infographic to illustrate the exciting results from the most comprehensive study ever rendered about the return on investment (ROI) of beef-checkoff assessments. Harry Kaiser of Cornell University concludes that each dollar invested in the Beef Checkoff Program between 2006 and 2013 returned about \$11.20 to the beef industry.

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DID YOU KNOW

EVERY **DOLLAR INVESTED** RETURNS **\$11.20?**



In a comprehensive economic study about the return on investments of beef checkoff programs, Dr. Harry Kaiser of Cornell University concluded the return on producers' and importers' investments into this program is vastly greater than the cost of the program.

6.4
PERCENT LOWER

The reduction in foreign demand for U.S. beef between 2006 and 2013, if not for the checkoff.

11.3
PERCENT LESS

The reduction in domestic beef sales between 2006 and 2013, if not for checkoff programs.

15.7
BILLION POUNDS MORE

The amount of additional beef sold domestically between 2006 and 2013 because of checkoff programs.

BOTTOM LINE

Your investment in the checkoff results in higher prices, which means higher net revenue for your operation.

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