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Washington State Beef Commission

STATE ANNUAL REPORT TWENTY TWELVE

Dear Washington Beef Community,
 It is an honor to be stepping into the role of Chairman of the Washington State Beef Commission (WSBC). During my six years as a member of the Board, I have been proud to serve you and be a part of overseeing the beef marketing efforts funded with your Beef Checkoff investment.

The mission of the Beef Commission is to "increase demand for beef by exceeding consumer expectations." The board has established several strategic priorities designed to help us focus on achieving that mission; they include: 1) maximizing the buying power of the consumer food dollar by promoting beef's economic value and supporting exports; 2) building trust in Washington's

beef industry by telling the beef production story; 3) promoting beef's positive values (nutrition, convenience and taste); and, 4) increasing consumer confidence in beef safety.

With the declining purchasing power of your Beef Checkoff investment and the fact that fewer cattle are producing more beef, we simply have to do more with less. We take this responsibility very seriously and our board and staff team are dedicated to delivering outstanding results. Thank you for reviewing this snapshot of successful programs funded over the past year - we look forward to delivering more outstanding results in 2013!

Best Regards,
 Greg Brandhorst

Culinary Schools Explore Beef

Over 100 of tomorrow's chefs were given a virtual tour of Washington's Beef Community with the Explore Beef classroom series of presentations. Culinary schools visited this year included Le Cordon Bleu, Renton Technical College, Bates Technical College, Seattle Central College and Lake Washington Institute of Technology.

Washington's beef community rallied together to provide 15,000 beef roasts to our neighbors in need throughout the state.

Building Trust

Checkoff-funded magazine and on-line advertising campaigns featuring Washington farmers and ranchers achieved 13.7 million consumer impressions in the last year. The ads ran in local publications such as *Sunset* and *Seattle* magazines and online at *SeattleTimes.com* and *Allrecipes.com*. The full-page ads featured family farmers and ranchers and great beef recipes. Online ads linked back to *wabeeff.org* providing more information about how each family is part of the larger beef community in our State.

A RECIPE FROM MY FAMILY TO YOURS

Everything we do on the Pacific Northwest Coast is based on a simple truth: our family and our work are linked. It's a passion for the land that we share with you. We're proud to give you a taste of our family's traditions and our passion for the land. We're proud to give you a taste of our family's traditions and our passion for the land. We're proud to give you a taste of our family's traditions and our passion for the land.



United Against Hunger

Washington's successful Beef Counts program was extended into Western Washington last year with the addition of Food Lifeline and Haggen and Top Food stores promotional partnership. In addition to raising over \$100,000 through the fundraising efforts of Washington's beef producers,



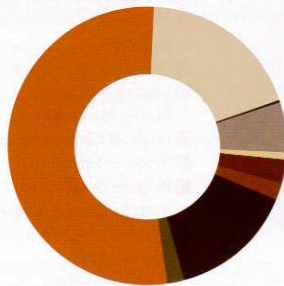
WASHINGTON STATE BEEF COMMISSION

Audited Financials Statement for the
 Year Ending June 30, 2012

Revenue	
Total Revenue	\$1,610,618
Less Beef Board	(531,585)
Net Assessments	\$1,079,033

Expenditures

Program Expenses:	
Promotion	\$595,979
Consumer Information	\$213,317
Research	\$1,692
Industry Information	\$65,676
Foreign Marketing/MEF	\$9,415
Producer Communications	\$31,762
Collection Compliance	\$20,015
Administration	\$162,206
Federation of State Beef Councils	\$21,219
Total Expenses:	\$1,121,281



WSBC Gets Social

WSBC has grown its virtual presence by interacting with other beef lovers on Facebook and Twitter and just this year hit the 5,000 "Like" threshold on Facebook with a boost from an exciting sweepstakes giveaway. Social media is an essential tool to market to Washington consumers and communicate with media on behalf of beef producers.

Tri-Tip Sizzles

Beef Tri-Tip was the star attraction in a Summer Grilling campaign with 140 Fred Meyer stores in Washington, Oregon and Idaho in June. The campaign, including Beef It's What's For Dinner radio advertising, in store point-of-sale advertising and Tri-Tip tastings, resulted in a 300% increase in pounds of Tri-Tip sold over the same period last summer.



School Nutrition Gets Beefed Up

Five-hundred attendees of the Washington School Nutrition Association annual state conference were treated to Beef Checkoff-sponsored speaker Barbra Mayfield from the Department of Nutrition Sciences at Purdue University. She illustrated innovative ways for school nutrition professionals to tackle picky eaters in the lunch line and how to use beef to help students try new foods and create nutritionally balanced lunches.

Foodservice Sales Boosted

Beef sales increased 67% at US Foods, a restaurant distributor in Washington, in June as a result of a checkoff-funded sales incentive partnership. The program was designed to encourage foodservice sales staff to increase beef sales and keep beef on restaurant menus especially during tough economic times. Top beef sales staff for the six week promotion won two cases of steaks each week!

Blind Taste Test

Food lovers had their taste buds challenged at *20Something* and *Seattle Wine & Food Experience* this year. Consumers were invited to blind taste test conventional, natural and grass-finished beef. After picking their favorite beef bite, tasters learned how production practices influence flavor, tenderness and price.

Exploring Beef

In an effort to tell the beef story and address common misperceptions about raising beef, the *Explore Beef Experience* took a group of elite chefs, retail executives, culinary instructors and registered dietitians on a tour of the beef production process. Participants were asked to take a survey before and after the tour to evaluate the tour's effectiveness. When asked "Considering all you know about beef, which one of the following best describes your opinion?" participants indicating that the positives strongly outweigh the negatives increased from 78% to 87%.



Protein Research for Dietitians

Influential Washington and Oregon dietitians "beefed up" their joint conference last Spring by kicking off with a keynote breakfast featuring Beefy Sweet Potato Hash and checkoff-sponsored keynote speaker, Dr. Douglas Paddon-Jones of University of Texas Medical Branch. Dr. Paddon-Jones gave a presentation on his research correlating protein consumption with muscle maintenance, growth and life-long health.

Online Campaigns Help Consumers "Like" Our Sizzle

The checkoff-funded *Steaks for Summer Sweepstakes* online campaign delivered 19 million consumer impressions on websites such as Facebook, KOMOnews.com and Allrecipes.com, driving Facebook "likes" up from 1,926 to 4,432 in the month of June, a 130% spike. The sweepstakes and summer grilling messages reached over 225,000 targeted consumers on Facebook each week during this innovative marketing campaign.

HISTORY CREATES BASE

for Proven Checkoff Program

When we learn from the past, we build a foundation for the future. Take the national Beef Checkoff Program, for example.

The current mandatory checkoff has its roots in demand-building efforts by the beef industry that began back in 1922, when agriculture's first checkoff effort was created in the National Live Stock and Meat Board. Adding to that foundation are state beef councils around the country, which were started as far back as the mid-1950s.

The first checkoffs were voluntary and collected at processing facilities. The assessments on producers were 10 cents per train carload on cattle, hogs and sheep – an amount that was matched by progressive processing companies that participated in the program.

In 1963, the Meat Board created species divisions that would help provide focus to individual meats. That's when the Beef Industry Council (BIC) was formed, with guidance and support from state beef councils from around the country.

When the mandatory \$1-per-head Beef Checkoff Program was instituted in 1986, the BIC was identified in the Beef Promotion Order as the Federation of State Beef Councils, which would help identify programs to fund and represent Qualified State Beef Councils at the national level. When the National Cattlemen's Association merged with the Meat Board in 1996, a Federation Division was created, making the new Federation of State Beef Councils the successor to the BIC.

While improvements have been made along the way, many of the concepts established back in 1922, with additional focus in 1963, are intact in 2012. Today, the Federation remains dedicated to supporting the work of both state beef councils and the national Beef Checkoff Program through its work in beef research, information and promotion.



What's In a Name?

Why do some state promotion governing bodies have boards, while others have councils or commissions?

The answer is that the bodies are controlled by grassroots producers in each state, who establish all aspects of how beef promoting efforts will be run.

Regardless of their name, beef promotion entities in 45 states are considered Qualified State Beef Councils, and authorized by the USDA to collect the full \$1-per-head national checkoff assessment. They remit half to the Cattlemen's Beef Board for national and international promotions, research and information programs. The other 50 cents remains under the control of the state's board of directors for investment in qualified demand-building programs.

Individual producers who get involved in all aspects of the decision-making process at both the state and national level assure grassroots control – something all beef producers can support.

Third Time is a Checkoff Charm

The Beef Checkoff Program passed by producers in a 1988 referendum by an almost 4-1 margin wasn't the first beef industry effort to create a uniform national checkoff. In 1977, a program was proposed that would have assessed 2/10th of one percent of an animal's value at slaughter to fund a top-down organization – with a minimal role for state beef councils. It was voted down by producers.

In 1980, a similar proposal was overwhelmingly defeated. After that defeat, the industry went back to the drawing board to determine what kind of program producers really wanted.

An extensive survey found that producers sought a program that was jointly controlled by a state and national effort; utilized existing organizations (like the BIC and United States Meat Export Federation) to conduct programs, without creating new promotion organizations; and a program that used a method of collecting a set amount at the time of sale.

The \$1-per-head assessment and the Beef Checkoff Program were the result. Surveys conducted on a regular basis by an independent research firm show that producers remain supportive of this effort. In the last survey conducted in July 2012, 74 percent of producers supported the beef checkoff, and eight of 10 said they thought the checkoff had helped contribute to a positive trend in beef demand.



Did You Know...

- Because of its independent nature, the Meat Board was asked in the late 1920s to help develop criteria for a national beef grading system, and the U.S. Department of Agriculture would base its grading program on those standards;
- In the 1970s it was found that consumers were confused by different names for the same cut of meat, therefore a Uniform Retail Meat Identity Standards program was created by the Meat Board that helped make cut names more uniform nationally;
- In the 1960s and 70s, the BIC worked every year with the American National CowBelles (now the American National CattleWomen) on a "Beef For Father's Day" promotion across the country. Millions of consumers were reached through the campaigns;
- A consumer boycott of red meat in the Spring of 1973 highlighted the value of a checkoff-based industry response to societal issues (and underscored the need for more resources). The industry joined forces in a "Beef Steak Strategy" through the BIC to reach out to consumers, helping educate them through media outlets such as *The New York Times*, *The Wall Street Journal*, *Time*, *Newsweek*, and NBC-TV's *The Today Show*.

GETTING A GRIP ON THE FUTURE THE CHECKOFF IN 2012

It doesn't take a crystal ball to know the beef industry has plenty of marketing changes in store over the next 50 years. If the decreasing cattle herd and changing weather patterns aren't good enough indicators, technology and the mercurial consumer should suggest that we're in for quite a ride.

Consumer demographic and behavioral trends suggest the beef industry can expect many changes. Based on current developments we would not be surprised to see:

New merchandising options.

Households comprised of one or two persons now represent 62 percent of the total U.S. households. Retailers are going to need plenty of merchandising options as they reach out to these consumers.

Technology driving decision-making.

Millennials – those 80 million consumers who were born between about 1980 and 2000 – use social media to make many of their decisions, as well as increase their knowledge base. What kind of instant messaging will drive millennial decisions and knowledge tomorrow?

Ethnic shifts change the marketing landscape.

Hispanics will grow from 16 to 30 percent of U.S. households from 2010 to 2050. Not only will culinary tastes shift, but the beef industry must be able to meet the needs of increasingly diverse consumer palates.

More new beef cuts for the budget-conscious.

The beef industry has developed several new beef cuts (Denver Cut, Flat Iron Steak) that have helped make steak-eating more affordable, and increased the value of the carcass. Today, about half of U.S. households are at low to moderate income levels. Innovation is needed to find affordable beef options for all income levels.

More convenient beef products.

Nearly one-third of consumers think that 40 minutes from start to table is too long to wait for their meals, 70 percent say that an hour is too long. In addition, 70 percent of women are now working, so convenience is paramount. While ground beef has been the "fall-back" product for the time-conscious, more convenient whole muscle cuts could boost demand.

Summary

As we look down the road, these and other trends stand out as particularly relevant to beef producers. Obviously, no one can predict the future; however, it makes sense for the beef industry to be prepared for one.



Today, aggressive checkoff-funded programs are reaching their target audiences with positive messages about beef. These programs include:

NUTRITION RESEARCH, such as the Beef in an Optimal Lean Diet (BOLD) study that demonstrates eating lean beef every day can be good for heart health;

SAFETY RESEARCH, which searches for solutions to safety challenges to further enhance the industry's safety record;

HEALTH PROFESSIONAL EDUCATION, which extends scientific research about beef nutrition to the country's leading health professionals through organizations like the Academy of Nutrition and Dietetics;

ADVERTISING, which takes advantage of consumer recognition of the checkoff's "Beef. It's What's For Dinner" campaign through print, radio and online video advertising;

FOODSERVICE AND RETAIL PROMOTIONS, such as a new BEEFlexible for Foodservice campaign to promote the value and versatility of steak, and a refreshed version of the BeefRetail.org website;

ISSUES MANAGEMENT, which helps protect the industry against unfounded attacks and provides accurate information about beef issues. To help debunk beef myths, a FactsAboutBeef.com website was created to address animal care, the environment, nutrition and safety;

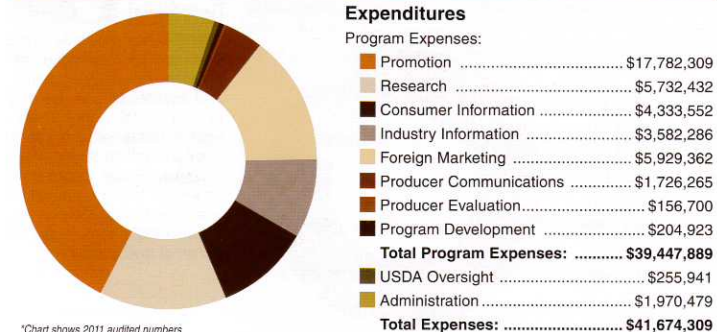
BEEF QUALITY ASSURANCE, where producers are encouraged to follow guidelines that encourage better beef production. Released in 2012, the 2011 National Beef Quality Audit provided industry guideposts for improving the U.S. beef supply;

INFORMATION, with booklets like Basics About Beef, a full color, 24-page booklet designed to help consumers get optimal value when buying beef;

VEAL PROMOTION, with a Facebook summer grilling photo contest generating awareness of veal and a Twitter handle posting local veal specials at retail and in restaurants; and

INTERNATIONAL PROMOTIONS, which are helping raise awareness of beef's value in dozens of countries around the world.

CATTELMEN'S BEEF BOARD Fiscal Year 2011 Expenditures



*Chart shows 2011 audited numbers