

PARTNERSHIPS HIGHLIGHT BEEF AS A HEALTHY CHOICE

SDBIC, Midwest Dairy Council, and Ag United of SD provided a beef and dairy farm tour to approximately 40 foodservice professionals at the School Nutrition Association Conference. Producers shared their story and answered questions regarding modern production practices and food safety.



Nutrition educators received checkoff funding toward the purchase of beef to enhance beef cooking and nutrition education in 39 South Dakota schools impacting 3,500 students.

Numerous medical and nutrition professionals received science-based, educational information through sponsorship of speakers and displays at seminars and conferences including: the American Heart Association, South Dakota Academy of Family Physicians, South Dakota Academy of Physician Assistants, Sanford Black Hills Pediatric Symposium, and South Dakota Academy of Nutrition and Dietetics.

A partnership with Ag United provided SD producers an opportunity to connect with consumers during the Rapid City Beef Crawl. This consistently sold-out event pairs consumers and producers to give first-hand information about local operations and how beef is raised.

CONSUMER CONNECTIONS

Regional consumers viewed beef educational cooking segments on Home Idea's Kitchen Creations, television program produced and aired in Sioux Falls, while Eric Gardner demonstrates beef cookery on KOTA-TV in the Rapid City area.

2016 provided the 5th season of Team BEEF South Dakota. This past year we had more than 100 members #RunInRed across the state in endurance races ranging from 5ks to marathons. Each member, youth to adults, receives an official jersey to wear in events, and completes an orientation to educate them on the positive role beef plays in an athlete's diet. The Team BEEF South Dakota Facebook page continues to be a strong strategy to share the power of protein in a healthful lifestyle.



FOODSERVICE

SDBIC partnered with other state beef councils to have an educational presence at both the regional and national American Culinary Federation (ACF) Conference. Numerous chefs, culinary instructors, students, and foodservice professionals attended these conferences. Two beef interactive, educational sessions were provided along with a beef production ranch tour. These sessions provided an in-depth look at how beef is raised, the factors affecting taste, tenderness, juiciness, and the versatility of beef cuts today.

A checkoff-funded "Beef Value Cuts" workshop at Mitchell Technical Institute introduced culinary students to the fabrication of the shoulder clod and chuck roll portions of the carcass into value cuts; including the Flat Iron, Ranch Steak and Denver Cut.

CONSUMER NEEDS MET THROUGH BQA

The Beef Quality Assurance program (BQA) provides a firm foundation for the industry's continued commitment to providing a nutritious, safe, and wholesome product to consumers. SDBIC partnered with SDSU Extension and SD veterinarians to carry out multiple state and national BQA trainings and presentations.

STOCKYARDS AG EXPERIENCE PLAZA

The SDBIC's investment into the Stockyards Ag Experience Barn and Plaza is intended to provide "farm to table" interactive exhibits that utilize virtual reality and hands-on activities. This project will allow us to share the beef message to more than 1 million Falls Park visitors as well as provide a venue for multiple beef education engagement opportunities.

INTERNATIONAL MARKETING

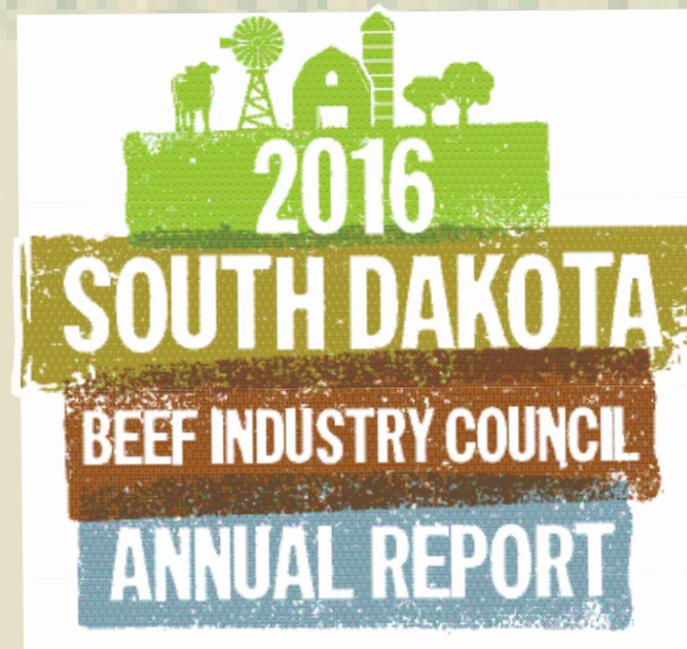
SDBIC partners with U.S. Meat Export Federation (USMEF) to sponsor activities abroad which result in rising demand for U.S. beef. Rarely found on menus in the U.S., variety meat, offal or fancy meat takes many forms: kidneys, livers, stomachs, tendons, aortas, cheek meat, oxtails and more. These beef items are highly prized for use in international cuisine. "The USMEF works to add value to beef. Not only to the high value cuts, but also the undervalued, underutilized cuts of beef in the domestic U.S. markets. Exports are very important for these variety meats. They have a minimal value in the U.S. but receive a much higher value in the export market." -Mike Gebhart, USMEF Director, Meadow, SD. .

SDBIC 2016 AUDITED FINANCIALS

Revenue	
Checkoff Receipts.....	3,514,204
Less: Remittances to State Boards.....	497,185
Less: National/International Boards	1,816,258
Net Checkoff Revenue.....	1,200,241
Interest and Other Receipts.....	9,480
Net Total Revenue.....	1,210,241
Expenses	
Promotional/Consumer Activities	563,349
Research Activities.....	154,062
Industry Information.....	240,161
Total Program Expenses.....	957,572
Support Services/General Administration	115,277
Total Expenses.....	1,072,849

SDBIC BOARD OF DIRECTORS

South Dakota Livestock Auction Market Association
Wayne Tupper (Pres.), Justin Tupper, Steve Hellwig
South Dakota Stockgrowers Association
Ernie Mertz, Gary Deering, Randy Volmer
South Dakota Farm Bureau
Mike Gebhart, Jeffery Gatzke, Stacy Hadrick
South Dakota Cattlemen's Association
Todd Mortenson, Becky Walth, Scott Jones
South Dakota Cattlemen's Auxiliary
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Eric Sumption(V.Pres.), Mike Maher, Mary Ellen Cammack
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Wayne Tupper, John Symens, Mike Gebhart
Federation Directors
Laurie Johnson, Becky Walth, Gary Deering, Scott Jones



FROM THE SDBIC PRESIDENT



Challenging. Disturbing. Frustrating. All words I hear to describe the past year's cattle market. Words which are often followed closely by the questions, "What is the beef checkoff doing?" and more pointedly, "How is my dollar spent?"

The United States Meat Export Federation (USMEF) is just one of the programs your checkoff dollars support. USMEF is the trade association responsible to develop international markets for the U.S. red meat industry. It is funded by USDA; the beef, pork, lamb, corn and soybean checkoff programs, and members from the nine industry sectors. Three South Dakota Beef Industry Council (SDBIC) member directors also serve as USMEF directors. USMEF is headquartered in Denver with offices in Seoul, Tokyo, Beijing, Hong Kong, Shanghai, Singapore, Taipei, Moscow, St. Petersburg, Mexico City and Brussels. Special Market Representatives cover China, the Middle East, Central and South America, and the Caribbean. This extensive international presence means USMEF is active every day in vital markets around the world. As our high quality beef and pork take the lead in international markets, exports play a huge role. Not only in growth, but also prosperity for those of us in the cattle business.

Your checkoff also actively provides promotion, research, industry relations, consumer information and producer communications.

So while people rightfully ask how their dollar is spent, we take our role of investing your checkoff very seriously. An equally important question, "What would happen if we did not have the checkoff?" Who would be there to stand up to groups falsely claiming beef is not good for you? Whether or not we like it - social media means false statements travel to millions in seconds. Our SDBIC team is prepared to combat these naysayers and present facts, not fiction. Utilizing your checkoff dollar, we teach consumers how to prepare red meat and focus on the nutritional and wholesome benefits of beef.

I do believe challenging is the best way to describe our beef sector. Demand predictions indicate by 2050 our world will need to produce 60% more food. How it will be produced, where and how it will be traded are questions we will have to answer. Sustainability, animal welfare, traceability, diseases, quality, and nutrition are a few hot topics. The SDBIC looks forward to the future and is prepared to meet the challenges ahead. I encourage each of you to contact us with any concerns or questions.

Oh yes, and don't forget--beef, it's what's for dinner.
-Wayne Tupper, SDBIC President

STATE-TO-STATE PARTNERSHIPS

SDBIC values its state- to-state partnerships. They allow us to relieve pressure on states with low cattle numbers in comparison to population. "Our long-standing partnership with the SDBIC provides resources for NY staff to reach more of the 19.1 million consumers in NY with meaningful programs that improve consumer confidence and promote beef in a healthy diet. A key part of all the programs is to deliver the message that big or small - east or west, beef producers are committed to the care of their animals, the land and providing them with quality beef." Carol Gillis, New York Beef Council Executive Director.

RESEARCH

Beef checkoff funded research includes studies at South Dakota State University to improve beef marbling, and quality and value of beef products. Techniques include feed management strategies that impact marbling development. Beef research scientists continued to investigate factors that contribute to Salmonella enterica persistence in cattle so more effective preharvest safety methods can be designed to avoid contamination of beef.

Dr. Kendra Kattelmann, SDSU Professor & Director, Didactic Program in Dietetics and graduate student Kristin Olsen utilized South Dakota checkoff dollars to conduct the study, "Let Them Eat Beef: Effects of Lean Beef Consumption on Markers of Metabolic Syndrome". Metabolic syndrome is the name for a group of risk factors that raises your risk for heart disease and other health problems, such as diabetes and stroke. Their exemplary research and its proven findings in supporting beef as a nutritious and heart-healthy protein has received national acclaim by recently being published in the Functional Foods in Health and Disease Journal and an upcoming MED magazine.

YOUTH

Ag Friday and Ag Day at the Washington Pavilion provided an opportunity to communicate the beef production story, share beef byproduct information and offered hands-on activities to approximately 3,000 youth and consumers. Teachers were provided lesson plans for classroom use.

SDBIC and Food Network's Chopped Junior Champion, Sabrina Swee of Beresford, SD teamed up in the creation of YouTube videos sharing beef cooking and grilling tips.



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 for programs that 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

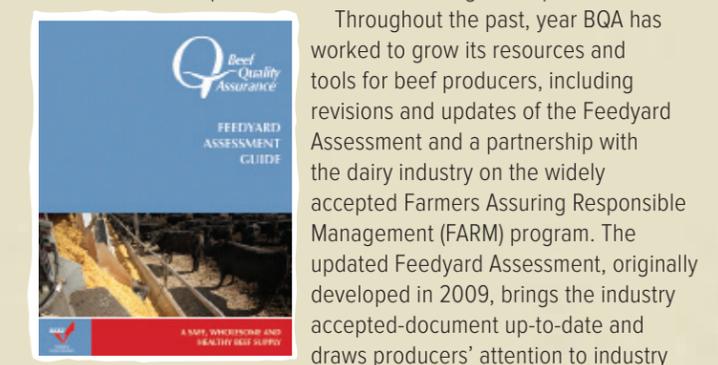
Ensure beef safety, protect beef's image and engage beef advocates.

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.

