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Jolley: Five Minutes With Richard Gebhart & The Battle Of Denver

08/06/2010 08:47AM

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Last week's Cattle Industry Summer Conference in Denver, usually a summit meeting of friends, turned into a battle royal worthy of a [WWE Smackdown](#). Squaring off on some serious questions about expenditures of checkoff dollars were the NCBA and the Cattlemen's Beef Board's board of directors. Acting as an unwilling referee in the battle was the Federation of State Beef Councils, a group that controls half of the checkoff dollars sent to CBB and has dower interest in half of the other half.



In other words, the Federation is the real boss here.

The Beef Board's directors had made the unprecedented move of issuing a press release questioning approximately \$37,000 on Monday evening, just two days before the Conference convened. Tom Ramey, CBB's Chief Executive Officer of the Cattlemen's Beef Board (CBB) stressed to me that it wasn't a curiously-timed witch hunt. It was a standard compliance review that had been done many times before, "Something we do to assure our producers that their money is being spent appropriately," he said.

"Clifton Gunderson reviewed a sample of transactions during the compliance review. As a result of CG's findings, we now need to review additional transactions at NCBA to better understand the findings and determine the magnitude of the problems. We will also intensify our monthly review of expenses and issue additional guidelines to all contractors to ensure these issues do not occur in the future."

When asked to bottom line the fast-brewing controversy, he replied simply, "We have to get this thing fixed; we have to work together."

Steve Fogelson, NCBA's president replied, "A compliance review has been conducted every year of NCBA's 14-year existence. There has been a transparent as well as full reconciliation of expenses when warranted. Every time there is a review, there are lessons, and we consider those an opportunity to fine-tune our processes going forward."

"We agree with CBB's accounting firm, Clifton Gunderson LLP, and with CBB that written and specific guidelines are needed for all checkoff contractors. The accountant's inability to determine compliance on select items does not mean non-compliance. Rather, it is an indication that written guidelines are needed to achieve compliance."

The compliance reviews had always been discussed in private, though, and never aired in such a public forum. The outcome was always the same – some items had been expensed incorrectly and a check to square things had always been written. With 8,000 line items to which any expense might be assigned and \$115 million now under intense scrutiny, a few errors can be expected and forgiven.

Not this time.

When I spent [Five Minutes with CBB's Ted Greidanus](#) earlier this week, he explained the compliance review this way: "It was conducted with negotiated terms from NCBA. A third party was used at the request of NCBA. A sampling of less than 1% was used, so a tiny fraction of documents were reviewed. With the results of the findings my opinion would be that we must look much closer to see if this is just a group of errors or a

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systemic failure in the accounting system at NCBA.”

In other words, CBB was concerned that the amount in question could be up to 100 times larger than that paltry \$37,000 and now we’re talking about serious money. If there is anything that can split a family along some deeply entrenched battle lines, it’s money.

During a particularly contentious NCBA Federation Forum meeting on Friday, Oklahoma cattlemen and lawyer Richard Gebhart sauntered up to the microphone and offered a resolution supporting NCBA’s leadership. The response left no doubt about the outcome. Many in the Federation thought they had been blind-sided by the CBB’s stance and their desire to sever the relationship. The next day they passed a resolution that said, “THEREFORE, BE IT RESOLVED, the Federation should operate in a more independent structure while maintaining the synergies and efficiencies of the current relationship with the National Cattlemen’s Beef Association and strongly opposes any effort to sever the relationship.”

So the relationship will hold true, although in a slightly altered manner. There is much work to be done to define “a more independent structure” but there won’t be a bloody civil war that will do irreparable damage to the bottom line project of increasing beef demand.

Gebhart’s resolution, delivered with all the well-scripted verve of a TV lawyer doing a final summation – anyone remember Perry Mason? – set the stage for the rest of the day and the rest of the Conference. It led to a standing ovation in support of an embattled Forrest Roberts and his team. I thought spending a good Five Minutes with him might shed some light on what could have been what people in the Deep South often call “the late unpleasantness.”

Q. With all the bumping and bruising going on at the Summer Conference, you read a prepared statement at the NCBA’s State Federation meeting which was a call for a vote of confidence in the Association’s leadership. What can you tell me about that document?

A. The statement was a resolution. The resolution was approved by the Federation directors by a straw poll of 59 to 3. It was officially approved the next day. We need to stop the “bumping and bruising.” My intent was not to address the competency of any group’s leadership. My goal was to remind the leadership to stay focused on the mission at hand; the promotion of beef. At the end of the day, one would hope the mission of promoting beef would be a strong force of unity and not division.

Q. The vote was overwhelmingly in favor of NCBA’s management. Did you expect it?

A. Yes. It was clear to me from talking to directors of both the Federation and CBB that we all wanted to stay mission-focused. That mission is to carry out a coordinated program of research, producer/consumer outreach and beef promotion to improve markets for this industry. I think it’s clear the vast majority of cattlemen and women support the checkoff and its mission.

Q. The compliance review covered 2½ years but the damage might last much longer. What can be done to heal the wounds?

A. It is imperative that leaders in the CBB, Federation and NCBA stay focused on the mission; improving beef demand. I would hope all parties would check their egos and weapons at the door. Get on with it and focus on beef demand. Compromise may be the order of day. But there should be no compromise in our dedication to the mission of promoting beef.

Q. I heard some murmurings about possible legal actions. Is there any basis for that kind of talk? Not in my opinion.

A. Some lawyer could find a basis for most any legal action. With the information I have, I would hope none of my leaders in NCBA CBB, or the Federation would even think about legal action. As a lawyer myself, I can say with confidence that in this situation only the lawyers would win in a legal course of action.

Q. What’s the endgame here? Would diminishing the NCBA’s position, which would be the inevitable outcome of CBB’s bid for separation, be better for the industry?

A. No. If we would all refresh our memories of the Act & Order, we would find the word separation is not used very often. If my memory is correct, I think the word coordinated is used a couple of times in the first couple of sections. I cannot speak to the endgame that CBB desires. I will speak to my vision of the endgame. We absolutely need a coordinated effort that will improve beef demand. That effort is constrained by the resources provided by the checkoff.

Q. Wasn’t NCBA ready to talk about the compliance review before the meeting or was the unprecedented release a ploy to bring the issue to the forefront?

A. Since the release of the compliance review was unprecedented, the conclusion I draw is it was intended to bring the issue to the forefront. “Bring the issue to the forefront” are probably very kind words. Most cattlemen would use other words.

Q. Thousand of cattlemen read Cattlenetwork. What would you like to say to them about this situation?

A. I spoke earlier with my lawyer hat on. Now, I would like to speak to my peers with my cowboy hat on. Bottom line up front; A CBB director in Denver said it best. She said "Whoa."

The "procedures" that were conducted by the CPA firm are in no way sufficient enough to make any inferences or conclusions. I would not be comfortable making major changes based on a questionable sampling technique, and would question the judgment of anyone that would run the risk of basing decisions on a haphazard sampling. I do agree that the findings of the "procedures" call for thorough and complete audit. The leaders of CBB, The Federation, and NCBA need some time to analyze the situation. There is no need to make haste here. This is not a war. I know of no life is at stake.

This situation is serious. My intent is not to make light of it. Our leaders need time to determine the facts. I would think the Secretary of Agriculture, in light of recent events, would agree. In the Act & Order, Congress granted the CBB limited powers. One of those powers is to investigate "violations of the order."

In one of the last sections, Congress gave the Secretary the power to conduct investigations as he/she deems necessary. To my fellow directors of the Federation and CBB, I suggest we all slow down, review the Act & Order, wait for the facts, and make sound, fact based decisions. To the CBB director who said "whoa." Thank you.

Chuck Jolley is a free lance writer, based in Kansas City, who covers a wide range of ag industry topics for Cattlenetwork.com and Agnetwork.com.

10 COMMENTS

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Jerry, Almost Heaven, August 10, 2010 09:16

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Dave,

I too have enjoyed the opportunity to visit and appreciate the years of volunteer dedication you have given to the beef industry. While I don't totally agree with the world being the supply, (with the exception of parts of Australia) the world beef supply cannot compete with our domestic quality and consistency. Our total North American demand will continue to be focused on those higher quality attributes. Some of my "meat head" friends have told me a lot of those undesirable cuts present problems with grinding and are not suitable for that market. Those trade barriers are a big part or seeing more growth in the market, but it is important to remember that segment has added well over \$100.00 to every fed steer and heifer harvested last year. We still need to continue work to open markets and enhance product utilization.

The most troublesome part of this discussion centers on the loss of producers. Total beef supply has increased (the same for all of production agriculture) while numbers and producers shrink. Some attrition is expected in any industry. However, the sad fact remains that most of those we have lost will never return. I hope we can all work together to keep those remaining profitable. While I think the industry is too big for any entity to control it, I still think the potential to control the industry is present. It is in the form of increased regulation, control of every practice at the ranch level and the way in which we manage our resources. HSUS remains public enemy number one. NCBA, R-CALF, USCA, Famers Union, Farm Bureau and every other organization we can name needs to get together! Pogo understood the enemy well - he is us, and unless we band together we will be controlled right out of business. The real enemy is waiting, watching and hoping we destroy ourselves from within – divide and conquer is one of the best winning strategies of all time. I hope we don't fall prey to that.

PS Maybe we can visit at a meeting some time. The first round is on me (no offense intended, but I enjoy a toddy with discussions). beefdinner@netscape.net

Dave, Nebraska, August 09, 2010 11:14

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Jerry

I must tell you that I enjoy this discussion. What I haven't told you is that during the last eight years on the federation I spent 2 years on producer communication, 3 years on advertising and the last 3 years on retail marketing and I also spend a little time with USMEF. Yes you are correct that the US imports trim to meet our demand for hamburger, 50% of all the beef consumed in this country is hamburger. I have asked why don't we grind those undesirable cut instead of importing trim? I think with in a short amount time, we would short the market for those cuts and the price would increase. I have listened to Cattle Fax and USMEF describe the same potential growth in foreign marketing for the past eight years, yet it hasn't happened. I

had a similar discussion with NCBA's chief economist Greg Doud, when I said it is all about supply and demand he said it all about demand not supply. That tells me that the world is the supply to meet our demand. We can discuss all of the numbers and the benefits and drawbacks of each other economics and policies, but the hard fact that bothers me is the US cow herd has been declining since 1975 and so has the number of producers. This is destroying our rural communities. As the number of producers declines the easier it will be to control the cattle industry, that should concern everyone.

Jerry, Almost Heaven, August 09, 2010 09:50

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Dave,
You are correct in assigning population figures. However, the context of those numbers, coupled with the sheer volume is what really matters. You need to understand that more people in China, India and Asia in general, will enter the middle class next year than live in the entire United States. I am going to trust your income and population numbers for the next segment. Your 910 million people are almost three times the population United States and some of them live in Countries with restrictive trade policies and protectionist mentalities. While this is the case for now, their attitudes cannot shape our policy nor can it be allowed to set the tone for future trade. Nor am I saying we cannot increase domestic consumption, and spend time and effort promoting high quality beef in North and South America. Those are and will continue to be viable markets. They just will not be the markets with the greatest growth potential. The other socio-economic consideration is based on the consumption of protein and its link to rising income levels. When we examine the growth potential, it simply becomes obvious that those markets offer greater potential based on two factors – volume of business and an outlet for undesirable or under consumed products at the domestic level.

One point I totally disagree with is when you attempt to link US imports to any down turn in the US herd or decreased market share. The vast majority of imported beef into this country is for lean trim. We do not have enough cow slaughter to balance the trimmings market. Therefore, we import beef. I am not talking about loads of Canadian fats being killed in the US. There are more cattle in your state and your neighbors than the combined domestic production of Canada. We cannot link this to Mexican cattle either. They are not the problem. Those cattle help balance a feeding sector that is critical to our production. We cannot and will not EVER compete with Brazil or Argentina on a cow by cow efficiency basis. Anyone out there that tells you otherwise has their head in the sand. High quality, consistent beef is our advantage. Every sector of the domestic industry plays a role. The Beef Checkoff and its mission are paramount to our success. Long live that grassroots program and long live rural America, the backbone of our country!

Dave, Nebraska, August 08, 2010 10:11

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Jerry

You are correct that 4% of the population lives here, and yes 96% live in the rest of the world. But did you know that of the 6 billion people that live on this planet 1 billion live on less than \$1 per day and 2 billion live on less than \$2 per day. So of the 6 billion people that live here half of them can not afford to buy 1 pound of hamburger. Now I agree that trade with other countries could help those of us who raise cattle, but lets trade with the ones that have an income high enough to buy our beef. Of the 6 billion people (not including the USA) 910 million have a GNI (gross national income) \$22,000, that is 15% of the worlds population. 81% of the world has a GNI of \$3,500. What is interesting is the 15% with all the money, are not in a hurry to undercut their domestic producers in order to get US beef. But the countries that we do trade with have low incomes and herds of cattle. Did you also know that the US is now the world's largest importer of beef and the US is 5th in GNI at \$38,000. Maybe that is why we lead in imported beef while our cow herd continues to decline.

Jerry, Almost Heaven, August 08, 2010 05:59

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I am glad Mr. Jolley follows up on the comments page!

The sad fact is we have witnessed a total breakdown in communication, understanding and unity. One that was orchestrated by politicians and activists. Good hearted, but misguided folks think that we can just retreat into our own little world of roughly 4% of the global population. However, we cannot do that. Beef demand must be, at least partially built on export and free trade - the two intertwined issues that started this rift (along with some direct marketing work) years ago. Well, as we all can see, the only ones winning right now are the folks that want to END all animal agriculture. Round one goes to that real enemy. Let's see if the home team, the grassroots producers with no hidden agendas, can put together a rally to win our continued right to farm, ranch and live in Rural America!

Chuck, Kansas, August 08, 2010 02:32

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Dave of Nebraska,

You said maybe I should call you but you didn't leave a number. Send it (or your email address) to me at crjolley@msn.com

Dave, Nebraska, August 07, 2010 11:44

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I have served on the federation for eight years and the conflict of interest that takes place is the most corrupt I have ever seen. All but three of the federation directors are dues paying NCBA members. In committee meetings these directors prioritize the contractors that bid for checkoff monies. When the NCBA is trying to win a contract shouldn't the dues paying members abstain from voting? If there is a vote to separate do you think NCBA members are going to vote for it? When the CBB had their meeting the NCBA thugs applaud and cheered from the back of the room when a CBB (NCBA) member spoke against the separation causing undue influence on the CBB board. It is to bad Mr. Jolley didn't print the entire resolution, the first whereas states, WHEREAS, "The nation's declining cow herd means declining checkoff revenues". I can't help but wonder if the NCBA is more interested in the lose of money to the checkoff than the lose of cattle producers and cattle. The bottom line is, everyone pays checkoff. It is not NCBA's slush fund. There is 126 staffers at NCBA it is a good thing that the dues paying members on the federation board voted to keep everyones checkoff dollars shackled to the NCBA. Maybe Mr. Jolley could call me.

Clint, Texas, August 07, 2010 03:08

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At the end of the day, the disheartening facts are clear to all cattlemen. This "school yard" argument is making headlines, while the efforts of the nation's ranchers/farmers to continue to make the world's most tasteful, wholesome protein in an ever increasingly difficult marketplace goes unnoticed. The positive highlights of continued & increasingly environmentally friendly practices, increased efficiencies on shrinking resources, while facing ever increasing costs of production and humanely raised cattle on family owned and operated ranches are all going unnoticed while the media is focused on the industry's leadership squabbling over who should have the most comfortable seat at the table.

It's disappointing that those enjoying employment by the hard working ranchers of our country are wasting our time & resources while placing the primary focus of their job and our Association on the back burner. We face an administration in Washington that is attempting to legislate us out of business, animal rights activists that are well funded and lawyer rich who are not afraid to ignore facts or lie to the public on the issues and even other Agriculture Associations that think by discrediting or attacking other Agriculture producers that they are improving their market position. We must come together and stop the needless battling with one another & combine to have a unified, positive front to promote American Agriculture and the Beef Industry.

Time to grow up boys!

Buddy Collins, Missouri, August 06, 2010 10:16

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I need to add that this announcement was one of the sadest days in beef checkoff history:
http://www.beefboard.org/news/Release_2007_03_22_a.asp

Buddy Collins, Misssouri, August 06, 2010 10:12

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Richard is spot on. This nonsense needs to stop. I have been glad to see NCBA move on to talking about priority issues. However, you have R-CALF, National Farmers Union and ever American Farm Bureau (Mary Kay Thatcher) continue to stir this up. This is nothing more than a power grab. CBB's CEO sent an email to all of us yesterday with a release from R-CALF calling for a suspension of NCBA programs. Why would the CEO of CBB send this to all CBB members and State Beef Councils. Why? Because Tom Ramey wants to drag this out and smear NCBA so he can have complete control. I miss Montee.