# Agricultural Checkoff Programs

## Executive Summary

Research and promotion programs (also called "checkoff programs") are organizations funded by agricultural producers and processors to promote the demand for agricultural commodities through advertising, consumer education, and research. Although the programs differ from one another, their ultimate goal is to improve the market position of agricultural commodities, increase demand, and develop new uses and markets.

**Highlights**

- Currently, USDA's Agricultural Marketing Service (AMS) oversees 21 research and promotion programs, each of which covers a different agricultural commodity.
- Missouri, like many other states, has state-authorized programs that operate together with the federally-authorized programs (such as those for beef and soybeans).
- Studies indicate that the benefits of checkoff programs generally exceed the costs. However, these studies often do not consider alternative promotion investment options to determine whether it is worth continuing the ones in place.

**Limitations**

- Because not all producers benefit equivalently from promotion and research activities, and measuring program efficiency is not something that researchers universally agree upon, more direct research is needed to determine checkoff program efficiency.
- Although program assessments are intended to be used for promotion, research and industry information projects, public reports/data that indicate how the collected assessments were spent are not always available.

---

## Research Background

### Checkoff Program Types, Structures & Funding

Research and promotion programs (also called "checkoff programs") are organizations funded by agricultural producers and processors to promote the demand for agricultural commodities through advertising, consumer education, and research. Although the goals of each program are diverse, they all aim to promote the demand for the generic agricultural product they represent, increase foreign competition, and promote food and agricultural sales in general.[1]

There are currently 21 programs corresponding to 21 different agricultural commodities. Of these, 12 operate under the authority of the United States Department of Agriculture (USDA) and its Agriculture Marketing Service (AMS). These include products such as eggs, beef, cotton,

*MOST Policy Initiative, Inc. is a nonprofit organization that provides nonpartisan information to Missouri's decisionmakers. All legislative Science Notes are written only upon request by members of the General Assembly.* ***This Science Note was published on 6/2//2022 by Dr. Elena Bickell, Agriculture, Natural Resources, and Economic Development Policy Fellow – eleni@mostpolicyinitiative.org.***

dairy, pork, potatoes, watermelons, and popcorn.[1] The remaining nine programs operate under a "generic promotion law" that was established after the Commodity Promotion, Research, and Information Act (CPRI Act) was signed; these include products such as honey, mangoes, Christmas trees, etc.[1]

The day-to-day management of activities, as well as how and where the funds will be used, are overseen by each commodity's Research and Promotion Board.[1,4] The Secretary of Agriculture and USDA's AMS decide on the members of the Boards and oversee how the Boards decide to administer their funds.[4]

Any entity that buys or sells a commodity (e.g., producers, processors) that is part of a checkoff program must provide a certain amount of money to the checkoff fund. Producers and processors usually finance the checkoff programs from assessments charged on a per unit basis of the marketed commodity, usually on a basis of half a percent or one percent.[1]

**Program Effectiveness and Measurements**

Each checkoff program's effectiveness depends on the objectives, although effectiveness is usually measured by the ratio of producer benefits to the cost of the checkoff program. As **Table 1** shows, each program can use different ways to evaluate effectiveness, which is often based on the intermediate or overall goal of the program.

| Effectiveness Measure | Definition | Effectiveness Criterion |
|---|---|---|
| *Return on Investment: Benefit-Cost Ratio (BCR)* | Tracks the sales as the dollar increase in sales per promotion dollar spent | More than 1 dollar in sales is generated for every dollar spent |
| *Consumer Awareness* | Tracks consumer attitudes and changes in consumer attitudes regarding a specific product | The changes in consumer attitudes are aligned with the goal of the promotion program |
| *Retail Sales Impact* | Tracks directly the relationship between promotion expenditures and sales | The changes in retail sales exceed the costs of promotion program |

**Table 1.** Ways to Measure Checkoff Program Effectiveness.[3] The table provides information on the type of measure, how to measure it, and what is deemed effective use of checkoff funds.

Researchers find a positive relationship between generic advertising and promotion and increased sales, as well as spending on the promotion of specific aspects of agricultural products and positive changes in consumer attitudes toward those agricultural products or their traits.[2,3] However, it is difficult to say with confidence that increased sales are generated due to the changes in consumer attitudes or other investments in the promotion programs. Because different checkoff programs undertake different promotion strategies and because there are many underlying factors that contribute to the increase of the overall sales, researchers often look at measures such as the Benefit-Cost Ratio (BCR) that measure the return on investment. BCR measures can be especially helpful if they are used as a basis for comparison between different promotion/advertising strategies. When comparing two programs for the same good, the one with the highest BCR score provides the most return on investment, but this does not necessarily mean that it exceeds the costs significantly enough to justify the program's operation.[3,4]

Similar to the other measures, researchers do find BCRs to exceed the amount invested in advertising and promotion across a broad range of commodities, although results vary based on the model and time series used. Some of the ratios for common agricultural commodities are 5.6:1 for beef (meaning $5 of sales generated for every $1 of investment), 4.8:1 for pork, 4.6:1 for dairy, and 6.6:1 for flowers.[6]

**Additional Considerations**

Most agricultural commodities have to go through several stages of processing before being purchased by a consumer, and throughout this journey the benefits may not be distributed evenly across the different parties that contribute to the final product.[3] Additionally, even if empirical evidence shows that the benefits exceed the costs for some commodities or producers, the benefits may nevertheless not exceed the costs for other commodities or producers. Last, checkoff programs have been challenged in courts and in USDA administrative proceedings in various ways with a central argument that they violate the First Amendment of the U.S. Constitution, since the advertisements may contain content that the individuals who subsidize them indirectly do not agree with.[1,5]

The annual reports of some of the checkoff programs are often unclear as to where the funds are appropriated. One example —the United Soybean Board (USB) — annually publishes a report that includes information on the budget and investments that the board has made over the course of a year, but how the budget funds are allocated, or what the categories that the investments were spent on, are not included. According to most recent annual reports, the annual budget of USB was around $89, $100, and $85 million for 2016, 2017, and 2019 respectively, and those funds were appropriated for the following program activities: Action Team Initiatives, Contract Program Implementation, Program Operations, Program Evaluation & Measurement, Qualisoy & SNI Expenses, and General & Administrative.

**References**

1. The National Agricultural Law Center, Checkoff Programs- An Overview, https://nationalaglawcenter.org/overview/checkoff/
2. Williams, G. W. (1999). Commodity checkoff programs as alternative producer investment opportunities: The case of soybeans. *Agribusiness: An International Journal*, *15*(4), 539-552.
3. Williams, G. W., & Capps Jr, O. (2006). Measuring the effectiveness of checkoff programs. *Choices*, *21*(316-2016-6392), 73-78.
4. Leeds, S. (2020). Constitutionality of Checkoff Programs, *HeinOnline* . *Drake J. Agric. L.*, *25*, 273.

5. Mikolajczyk, S. (2022). Procedures: The First Amendment and Agriculture, The National Agricultural Law Center, https://nationalaglawcenter.org/procedures-the-first-amendment-and-agriculture/
6. Ward, R. W. (2006). Commodity checkoff programs and generic advertising. *Choices*, *21*(2), 55-60.