

# READY MIXED CONCRETE CHECK-OFF INITIATIVE



Questions?  
Feedback?  
[www.rmccheckoff.org](http://www.rmccheckoff.org)

**RMC CHECK-OFF  
INITIATIVE**



# AGENDA

**Check-off:**

**What is it?**

**What is it NOT?**

**How does it work?**

**Examples**

**Why Ready-Mix Concrete needs it?**

# Familiar with these?



# What is a Check-Off Program?

- ✓ **An Act which is allowed by Congress for an industry in which the majority of its members are in favor of.**
- ✓ **Allows the industry to assess themselves a fee which will allow them to provide research, education, and promotion.**
- ✓ **All members of the industry must pay the amount the industry assesses. Example: 10 cents per cubic yard of ready mixed concrete produced.**
- ✓ **Can be modified or discontinued by the same referendum with which it was implemented.**

# A CHECK-OFF IS AN INDUSTRY LED (NOT GOVERNMENT) PROGRAM TO INCREASE DEMAND FOR A COMMODITY

## Funding

**Every producer is assessed on a per unit basis**

- Formula is determined by industry
- Use of funds benefits entire industry

**Fairness is the key**

## Promotion

**Can conduct promotional activities on generic basis**

**Audiences range from government officials, designers, specifiers, purchasers, etc.**

**Lobbying and advocacy is not permit through check-offs**

## Research

**Typical Efforts:**

- Document benefits of products offered by the industry
- Improve characteristics of products
- Develop new applications for existing products

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**GOVERNMENT**

# Check-off Board would manage the affairs of the program in compliance with statutory mandates

## Board of Directors

- **Board will manage the affairs of the program in compliance with industry written statutory mandates**
- **Board is responsible for protecting the interests of the Ready-mix producers paying assessments**
  - **Has fiduciary responsibility**
  - **Approves program funding**
  - **Manages staff**
  - **Communicates to program participants**

## Federal Agency Oversight

- **Approves board's annual budget**
- **Reviews administrative expenses**
- **Approves business plans and contracts**
- **Appoints board members from industry nominations**
- **Attends board meetings**
- **Has veto power over fundamental promotion messages under certain circumstances. We can not say concrete cures cancer**



## **This is a program...**

- **By the industry**
- **For the industry**
- **Funded**
- **Managed**
- **Proposed**

**... by the Industry**

## **It is not...**

- **Mandated**
- **Governed**
- **Managed**
- **Proposed**
- **Controlled**

**... by the Government**

# AGENDA

**Check-off:**

**What is it?**

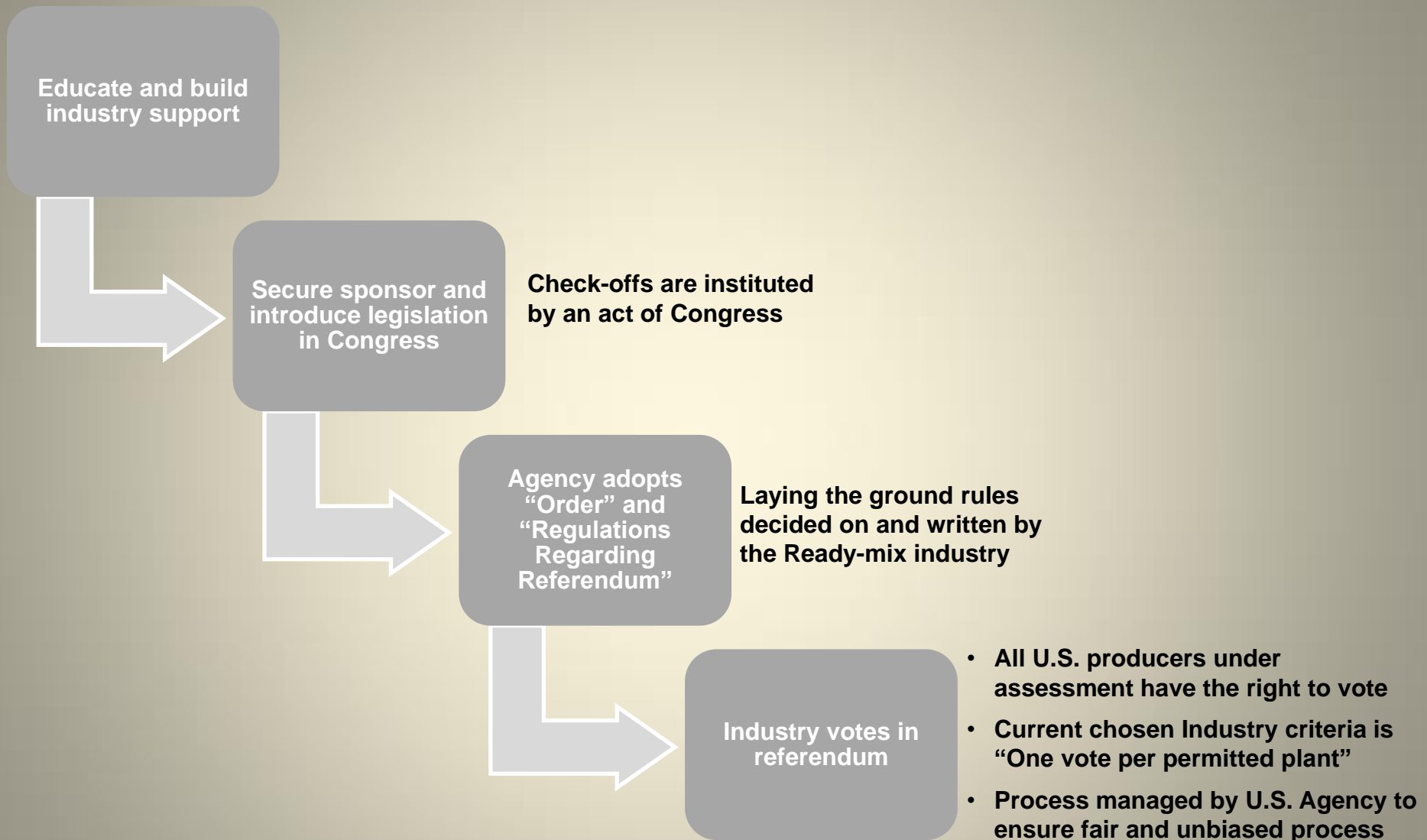
**What is it NOT?**

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# FOUR CRITICAL STEPS IN CREATING CHECK-OFF



**If successful, ALL producers in the U.S. pay assessments based on industry defined rate**

# BOARD AND EXECUTIVE COMMITTEE

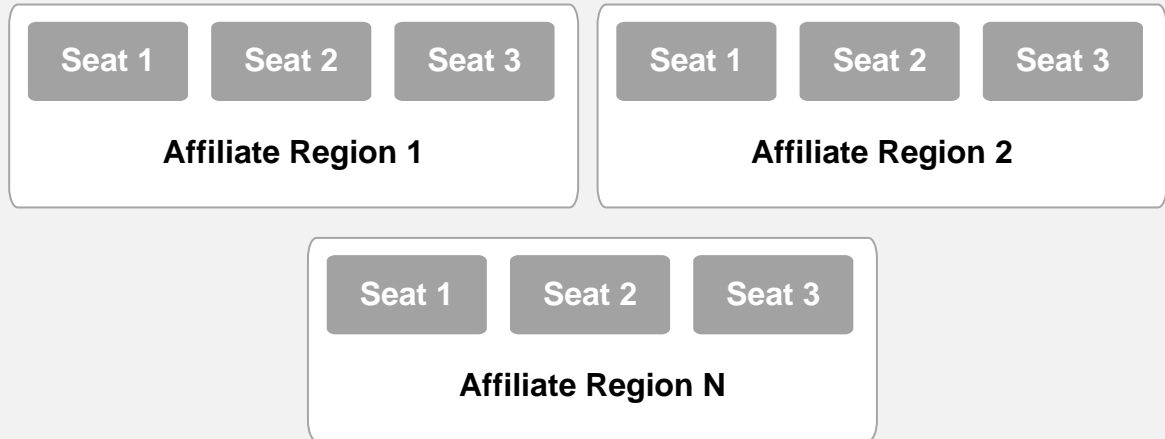
## Executive Committee

- Chairman, Vice Chairman, Secretary/Treasurer and four Board Members
- Elected by the Board from amongst the Board for 1 year term
- Nominating Committee is Chairman and 2 Directors from each size<sup>(1)</sup> (small, medium and large) elected from the Board for 1 year term



## Board of Directors

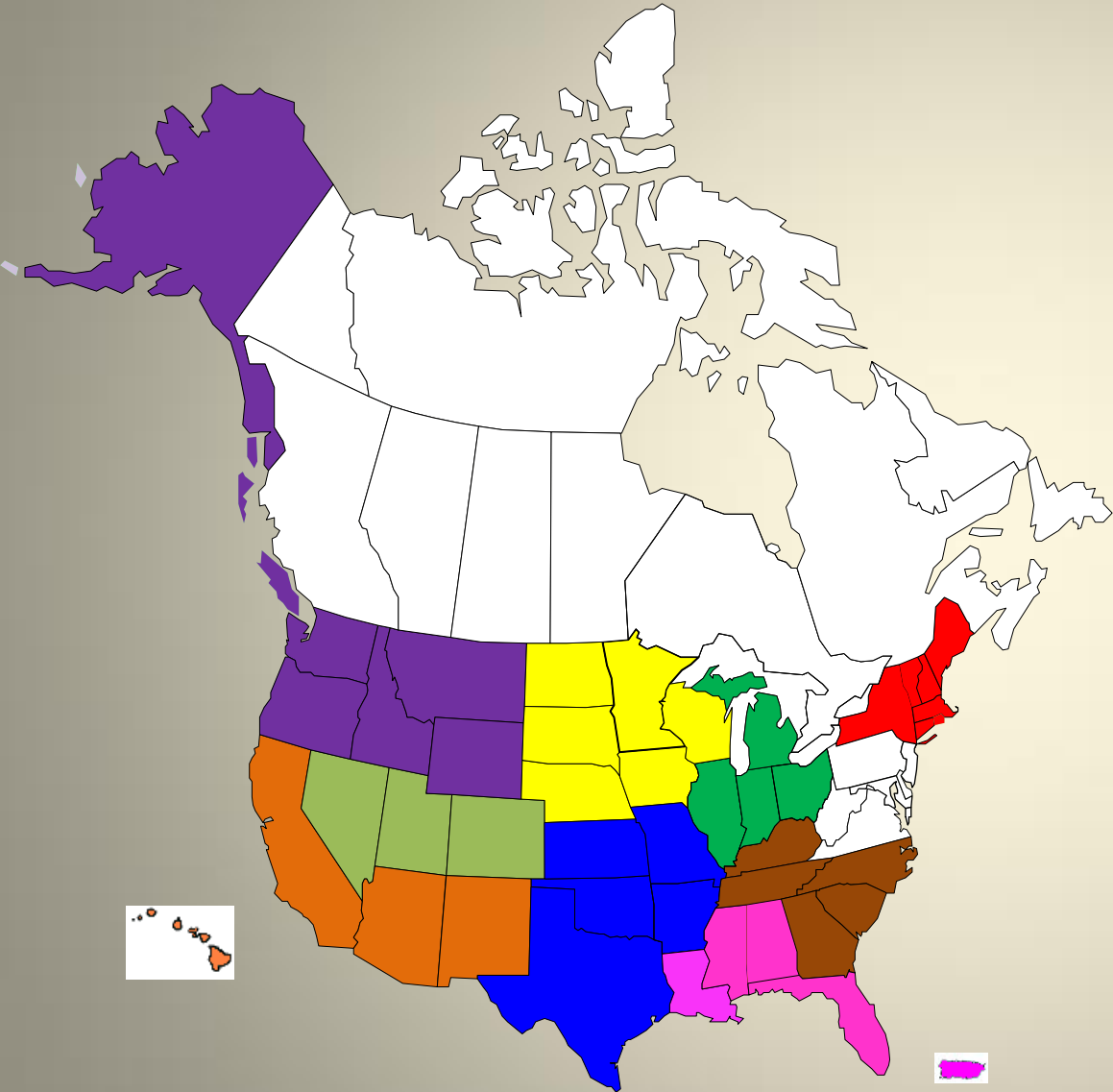
- Use NRMCA Affiliate Regions
- Each Region represented by 3 Directors, one of each size<sup>(1)</sup>, nominated by industry
- 3 year term, limited to 2 consecutive terms
- Companies limited to one representative on Board at any given time
- Total of 30 Directors constitutes the Board



**Representation is balanced between members of small, medium and large companies**

(1) As defined in the draft bill (Small: less than 6 permitted plants; Medium: 6-25 permitted plants; Large: 26 or more permitted plants)

# CHECK-OFF BOARD REGIONS



- Purple** – Northwest Region
- Olive** – Rocky Mountain Region
- Orange** – Southwest Region
- Blue** – South Central Region
- Yellow** – North Central Region
- Green** – Great Lakes Region
- Red** – Northeastern Region
- White** – Atlantic Region
- Brown** – Lower Atlantic
- Pink** – Gulf Cost Region

# USE OF CHECK-OFF FUNDS

Maximum of 10% of total funds used to manage Check-off Program

Use of Funds <sup>(1)</sup>	Comments
5-10%	<p><b>Administrative</b></p> <p>Agency costs reimbursement, overhead, cost of referendum, Communications</p>
45-60%	<p><b>Regional, State, Local</b></p> <p>Project-based</p> <p>Objective is volume-based</p> <p>Funding distributed in similar fashion as grants</p> <p>Should not affect funding mechanisms already in place</p>
30-45%	<p><b>National - Competition</b></p> <p>Research conducted by universities and others</p> <p>Education programs targeting key decision-makers at the federal/national level</p> <p>Marketing content and support for campaigns and regions</p> <p>Additional funds given to states with best results</p>

**Funds**

(1) Administrative limit of 10% established by industry representatives

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# EXAMPLES OF CHECK-OFF PROGRAMS

**Almond Board of California**

**American Egg Board**

**American Lamb Board**

**Cotton Board**

**Dairy Management Inc.**

**Mohair Council of America**

**Mushroom Council**

**Cattlemen's Beef Promotion and  
Research Board**

**Cattlemen's Beef Board**

**National Honey Board**

**National Watermelon Promotion Board**

**National Peanut Board**

**National Pork Board**

**Popcorn Board**

**U.S. Highbush Blueberry Council**

**United Soybean Board**

**United States Potato Board**

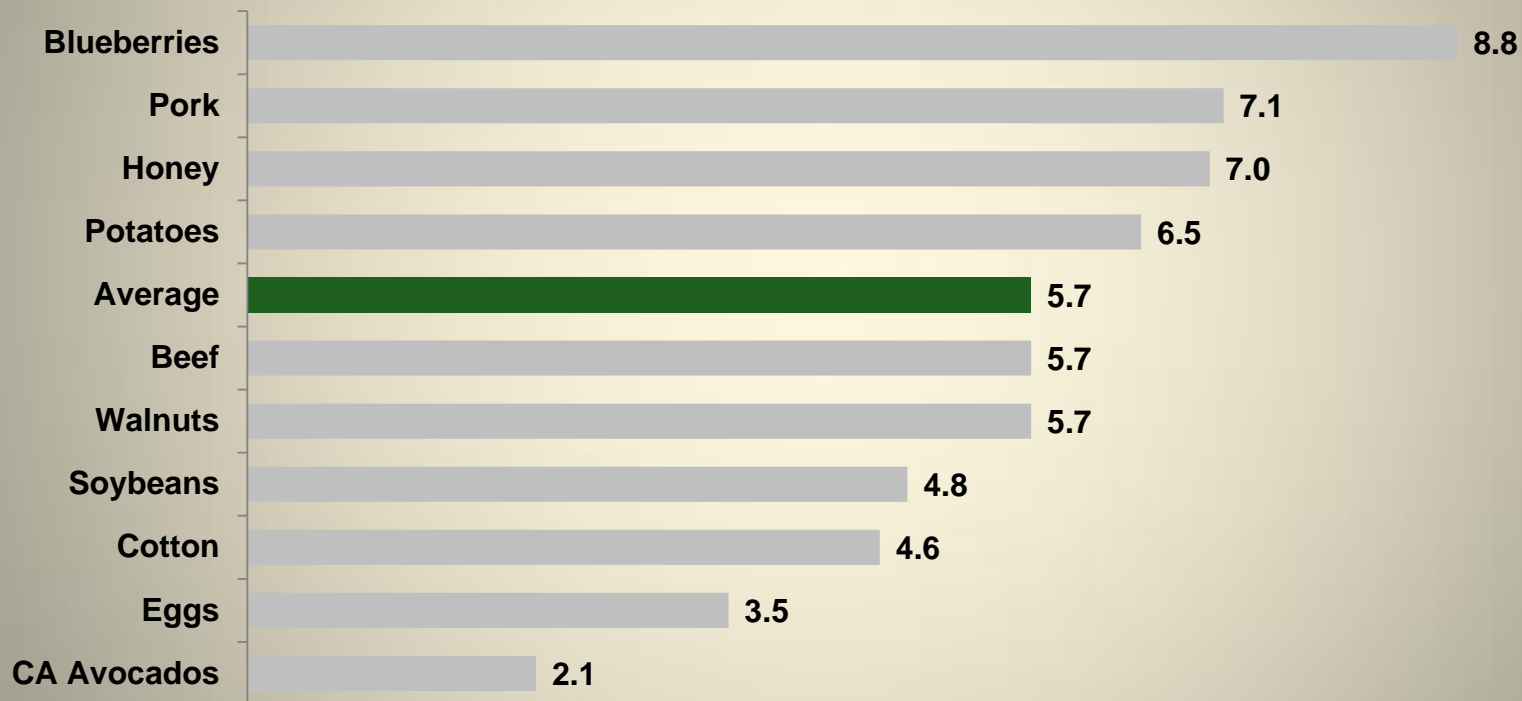


# Return On Investment (ROI)

On average, \$5.7 in benefits for every \$1.0 spent

Maximum benefit achieved was \$18 per \$1.0 spent

Cost-Benefit Ratio of Various Check-off Programs



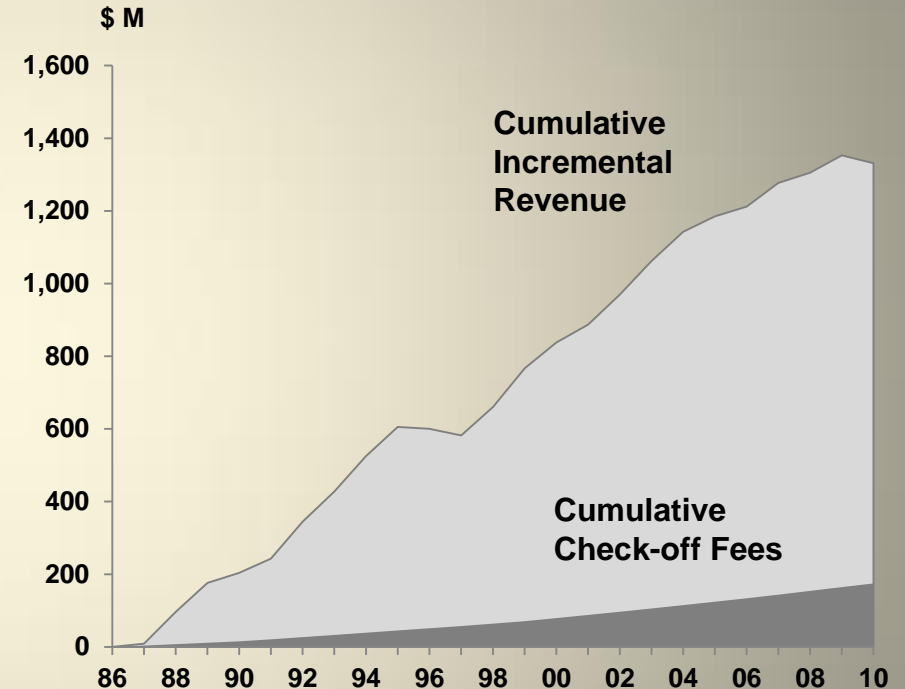
Many individual producers in these industries lacked the resources for large scale campaigns, but Check-offs funded generic promotions benefiting their entire industries

# Example: “PORK. The Other White Meat”

## Establishment of the National Pork Board...

- Established in 1985 by the “Pork Act”
- Program to promote pork consumption
- Consumer sales rose 20% by 1991
- The cost-benefit ratio for the pork check-off Program was 7.1 in February 2007, when considering domestic promotion<sup>(1)</sup>

## ...helped generate over \$1B additional revenue<sup>(2)</sup>



**Additional demand generated by promotions paid by the Pork Check-off Program has resulted in over \$1B in additional revenues to that industry**

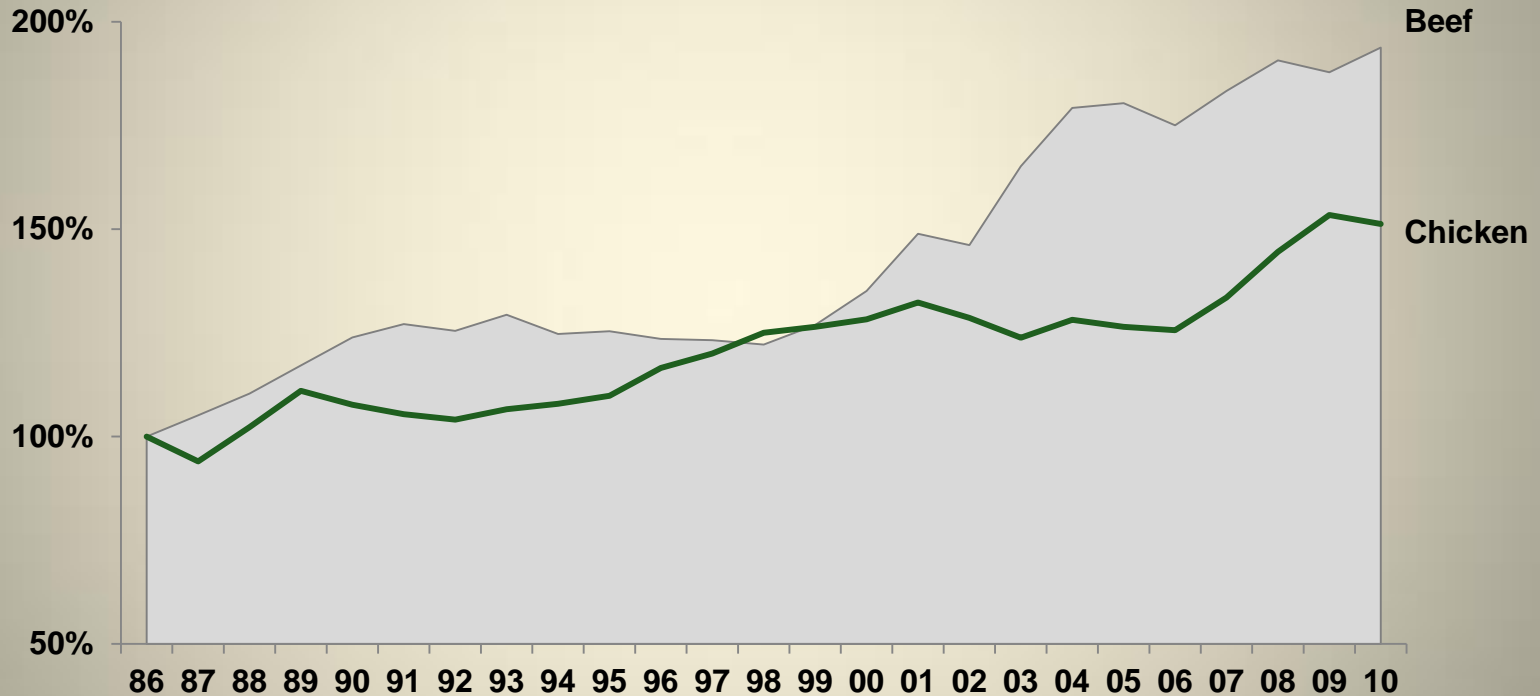
(1) [http://www.rti.org/pubs/beach\\_pork-checkoff\\_final.pdf](http://www.rti.org/pubs/beach_pork-checkoff_final.pdf)

(2) <http://www.ers.usda.gov/data-products/livestock-meat-domestic-data.aspx#26105>

# Example: “BEEF. It’s what’s for dinner”

Beef price growth has outpaced chicken by 50% since 1986

Price Evolution of Beef and Chicken Since 1986<sup>(1)</sup>



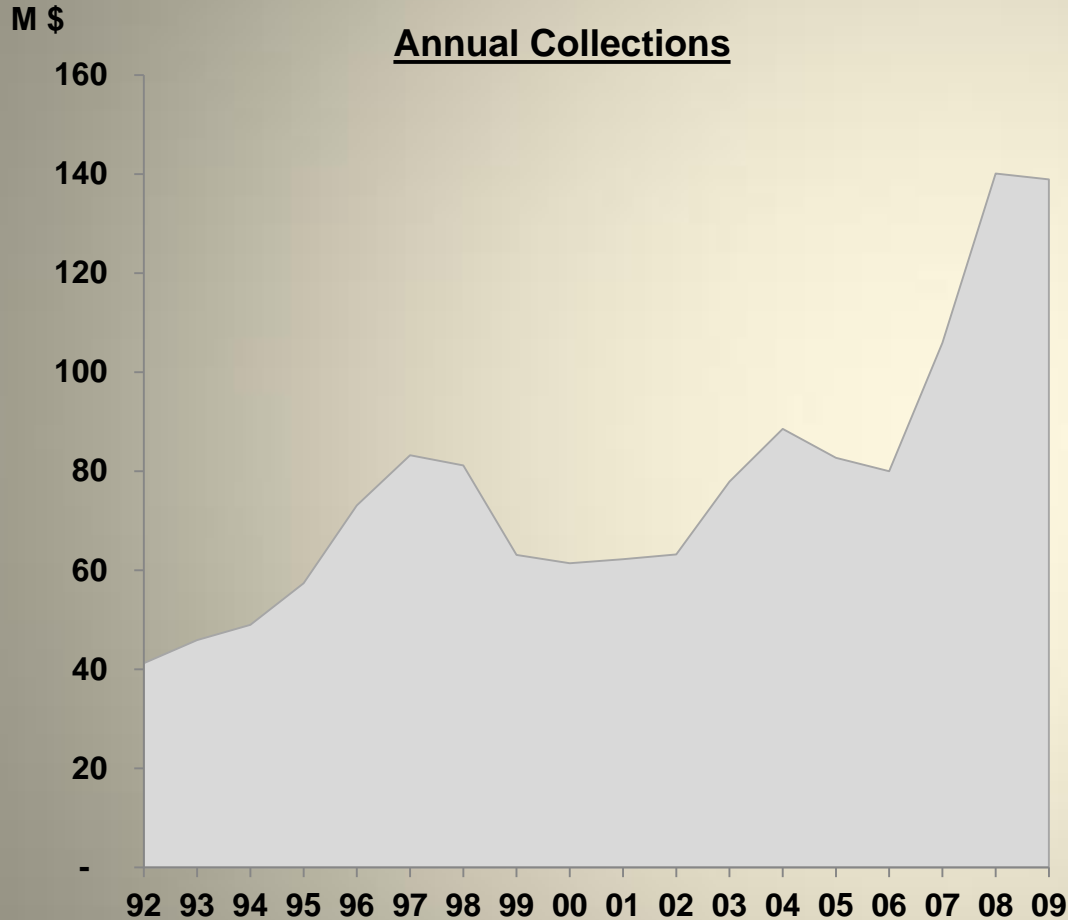
**Check-off program has increased desirability of beef versus competing products**

(1) <http://www.nationalchickencouncil.org/about-the-industry/statistics/wholesale-and-retail-prices-for-chicken-beef-and-pork/>

(2) The chicken industry does not have a check-off program

# Example: Soybean Industry

Creating strong momentum



**Two decades ago collections for the Soybean industry were \$41M. Now are \$140M**

**Funds invested in educational programs to food manufacturers**

**Considerable investment in R&D to expand uses of soybeans**

# Example: Concrete Masonry

## Expects to introduce bill this year

The Check-off Program will...

**“...help to further concrete masonry as the wall system of choice.”**

**(Stephen Strange, TXI)**

**“...reposition our industry and deliver the resources needed to promote against competitive systems.”**

**(Dana Morse, A. Jandris and Sons, Inc.)**

**“...enable our fragmented voices and resources to unite and educate the public on the incredible benefits of this building material.”**

**(Peter Browning, Salina Concrete Products)**

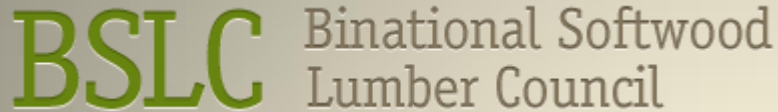
**“...be critical to fund the necessary research, education and promotional requirements for our industry to remain competitive.”**

**(Paul I. Detwiler, New Enterprise Stone & Lime)**

**“...enable our industry to develop programs that are crucial to educating and communicating the real value of our products.”**

**(Mark Wilhelms, Kirchner Block & Brick)**

# Example: Lumber Industry



## Potential Program

During the 1990's through the first five years of the 21st century, wood producers experienced healthy volume sales as demand for new, and bigger homes expanded at an unprecedented rate.

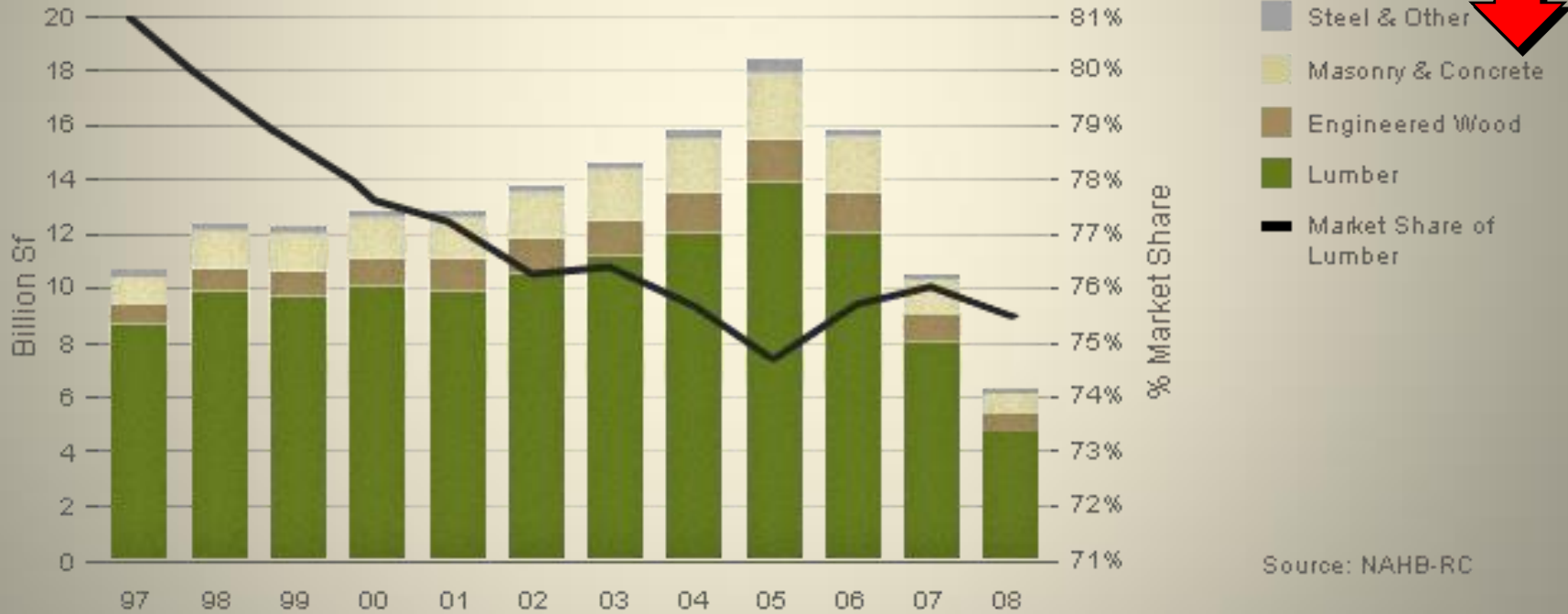
However, underneath the surface of solid volume sales, wood was experiencing erosion of market share to competing products, especially concrete, composites, steel and vinyl. This share erosion may have not been felt as acutely as it would have been in a flat market; nevertheless, the lost volume was worth several hundred millions of dollars over a five year period.

## U.S. Residential New Material Construction (Single & Multi-family) Structural Materials - Floors, Walls, & Roofs

At the same time, while modest growth was occurring in the non-residential market, a case can be made that wood lost opportunity by not pursuing an aggressive, coordinated, North American-wide marketing strategy to take market share from concrete and steel.



## U.S. Residential New Material Construction (Single & Multi-family) Structural Materials - Floors, Walls, & Roofs



Source: NAHB-RC

Source: <http://www.softwoodlumber.org/check-off/lumber-check-off.html>

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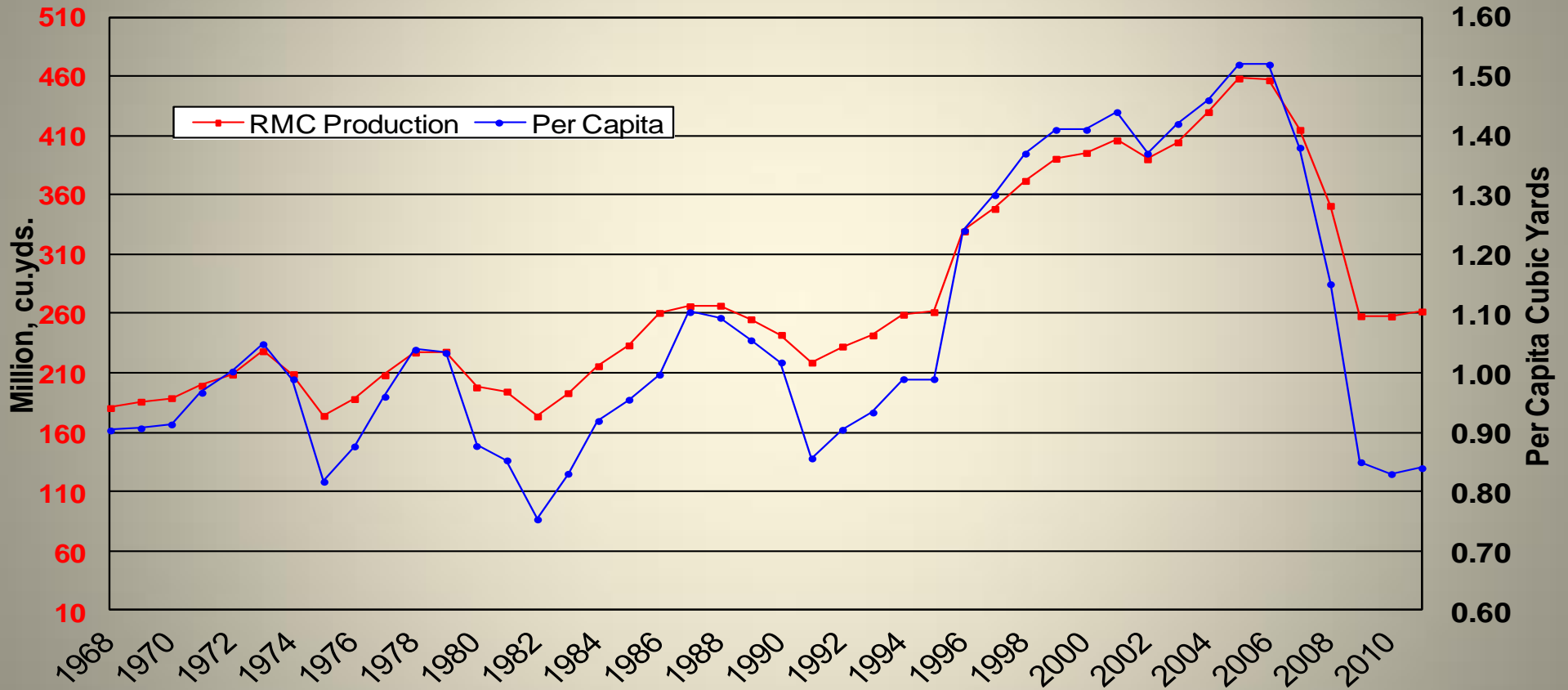
**Why Ready-Mix Concrete needs it?**



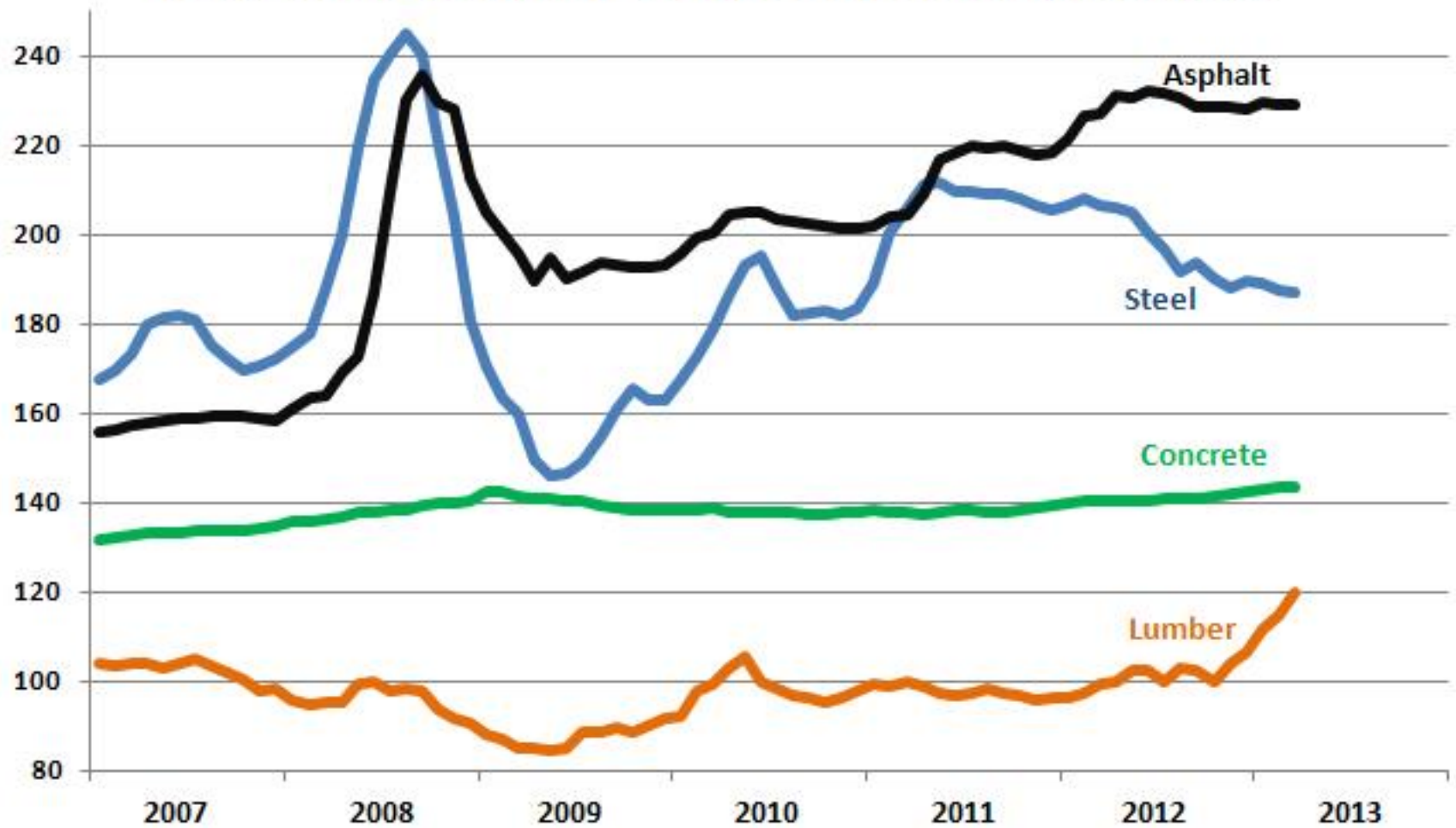
# Why Check-Off? Why Now?

- ✓ **Product has never been better positioned**
- ✓ **Resources are insufficient to “tell the story” (existing association dues are already stretched)**
- ✓ **Creates an equitable system of funding**
- ✓ **Allows for long-term promotion and research planning**
- ✓ **Other construction material sectors pursuing check-off programs**
- ✓ **Create resources and funding mechanism for local promotion and education efforts outside of Cement industry**

# CHECK-OFF INITIATIVE



## Producer Price Indices - Competitive Building Materials





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for the ENGINEERING and CONSTRUCTION INDUSTRY

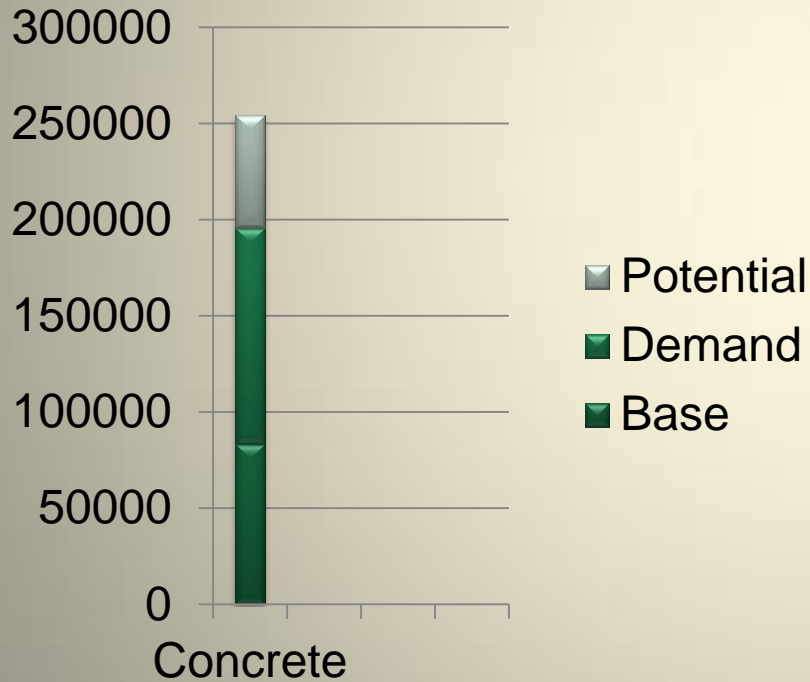
## **Development of Operational and Tactical Plans to Gain Market Share**

**September 27, 2011**

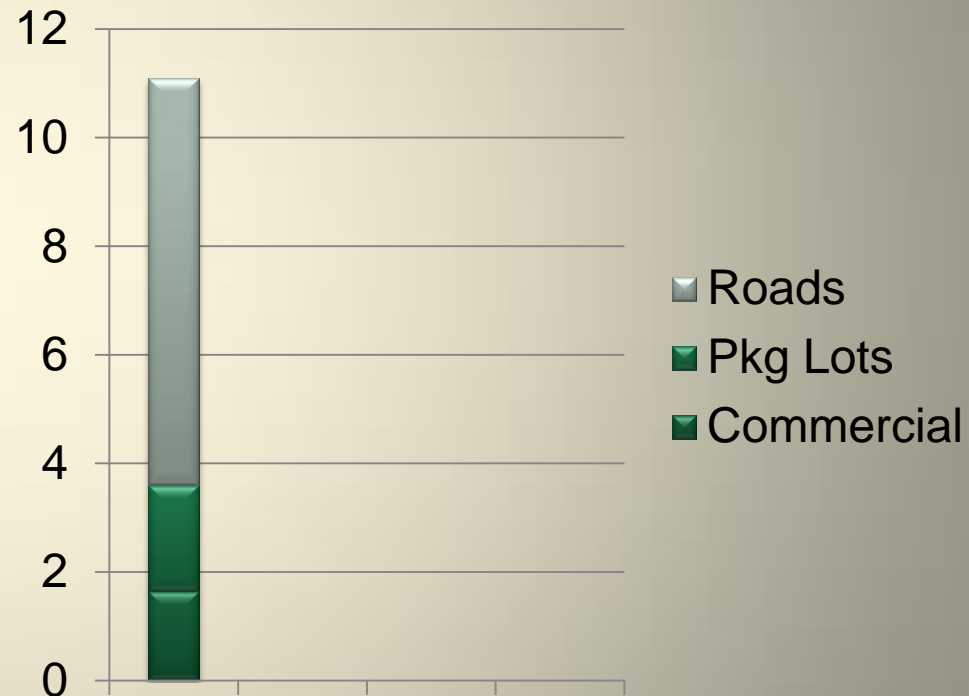
- **The political process and budgets at all levels of government will impact RMC markets.**
- **Anemic, uneven U.S. economic growth will create opportunities for new winners to emerge.**
- **Shifting societal interests will change business processes and customer needs.**
- **Architects/engineers as well as owners have the most significant impact on RMC specification.**

- **Incremental volume gains are best in Commercial (structural) and Parking lots.**
- **Target the Commercial (Structural) market**
- **Target Parking Lots**
- **Consider targeting State Roads (non-Interstate)**

### CY (000) Market and Potential

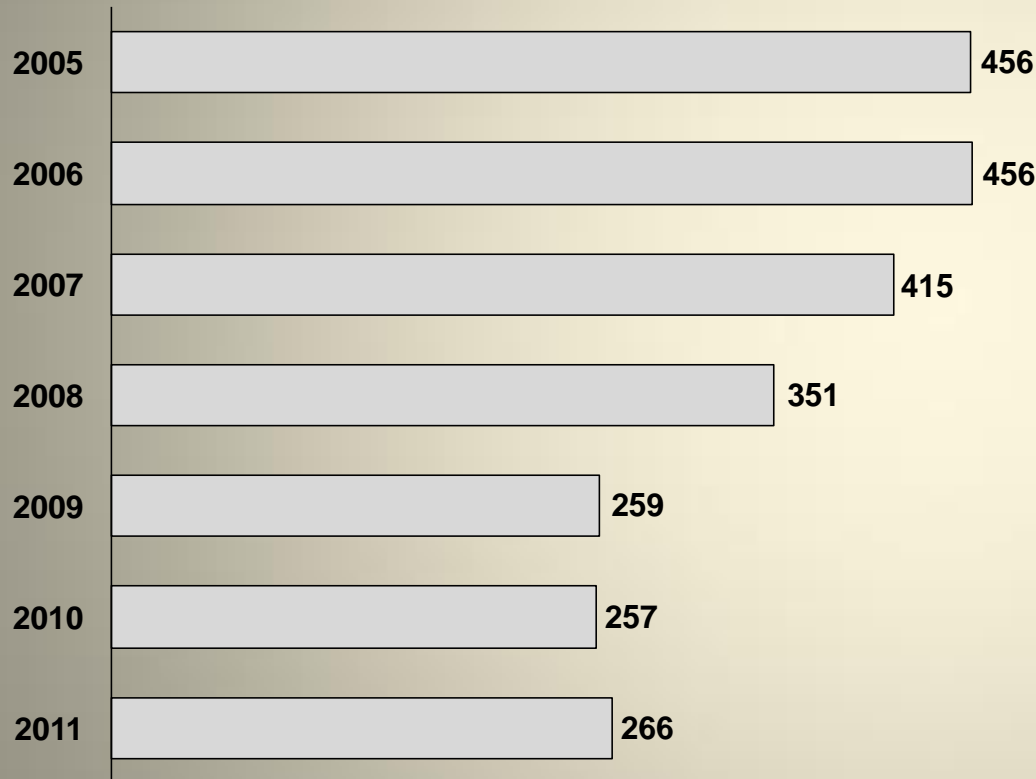


### \$M required for promotion



# Potential Funding Rates and Totals

**U.S. Concrete Consumption (M CY) <sup>(1)</sup>**



**Potential Funding (M \$)**

	<u>\$0.05/CY</u>	<u>\$0.10/CY</u>	<u>\$0.15/CY</u>
2005	22.8	45.6	68.4
2006	22.8	45.6	68.5
2007	20.7	41.5	62.2
2008	17.6	35.1	52.7
2009	12.9	25.9	38.8
2010	12.9	25.7	38.6
2011	13.3	26.6	39.9

(1) Based on USGS cement consumption applying factor for Ready-mix

**W.O.M. Allen urged the Ready Mixed Concrete Industry  
to recognize the**

**Necessity for Sales Promotion Activities**

**carried over the years.**

**He stressed the Value of Advertising and**

**Promotion Campaigns.**

**Mr.. Allen, of the Portland Cement Association,  
made his remarks at the  
NRMCA's Annual Convention...**



**in 1947**

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# Feedback?

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