

**RMC CHECK-OFF
INITIATIVE**



INTRODUCTION TO CHECK-OFF INITIATIVE

Growing the Pie for the Ready-mix Industry

March 2013

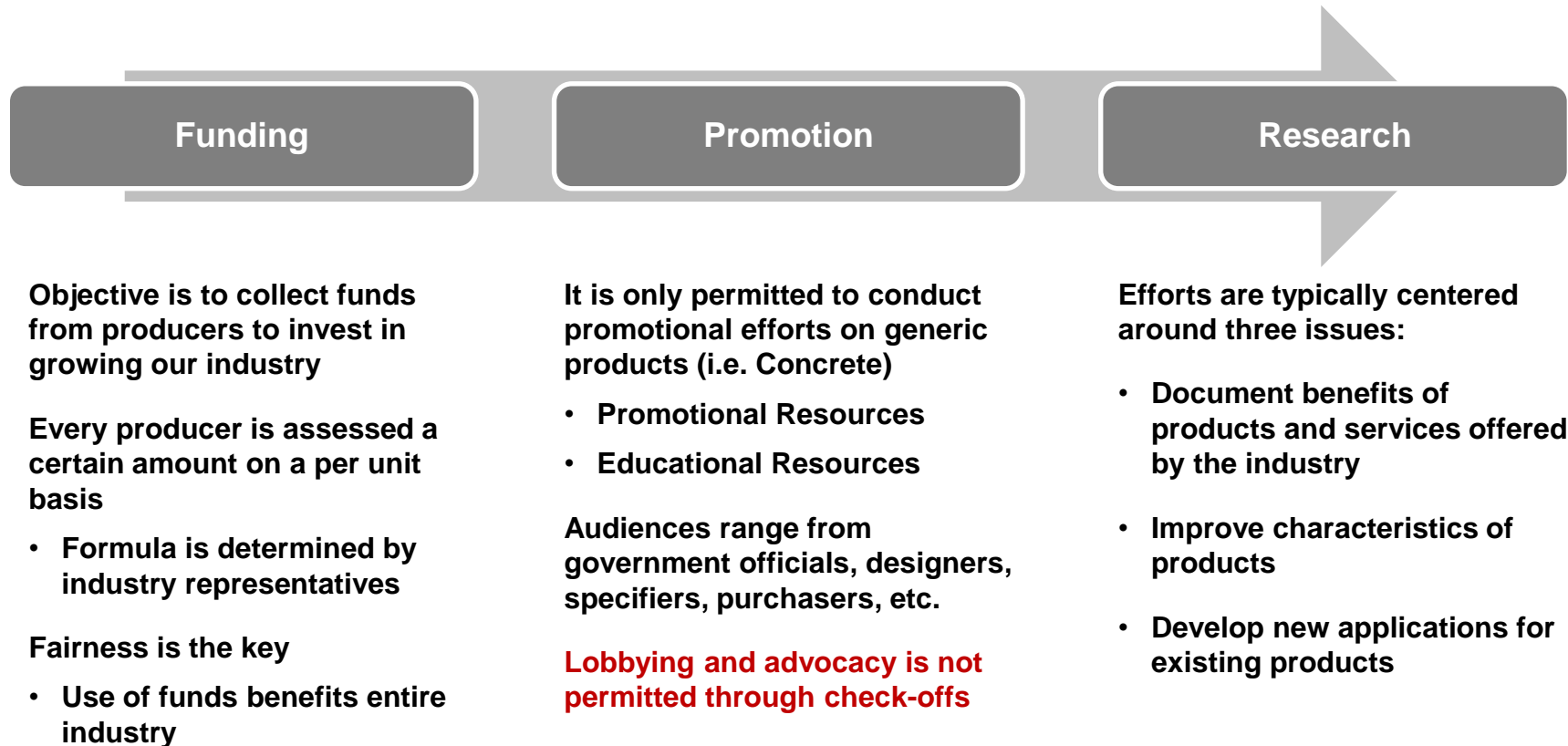
AGENDA

Check-off – An Investment In Our Future

Success Stories From Other Industries

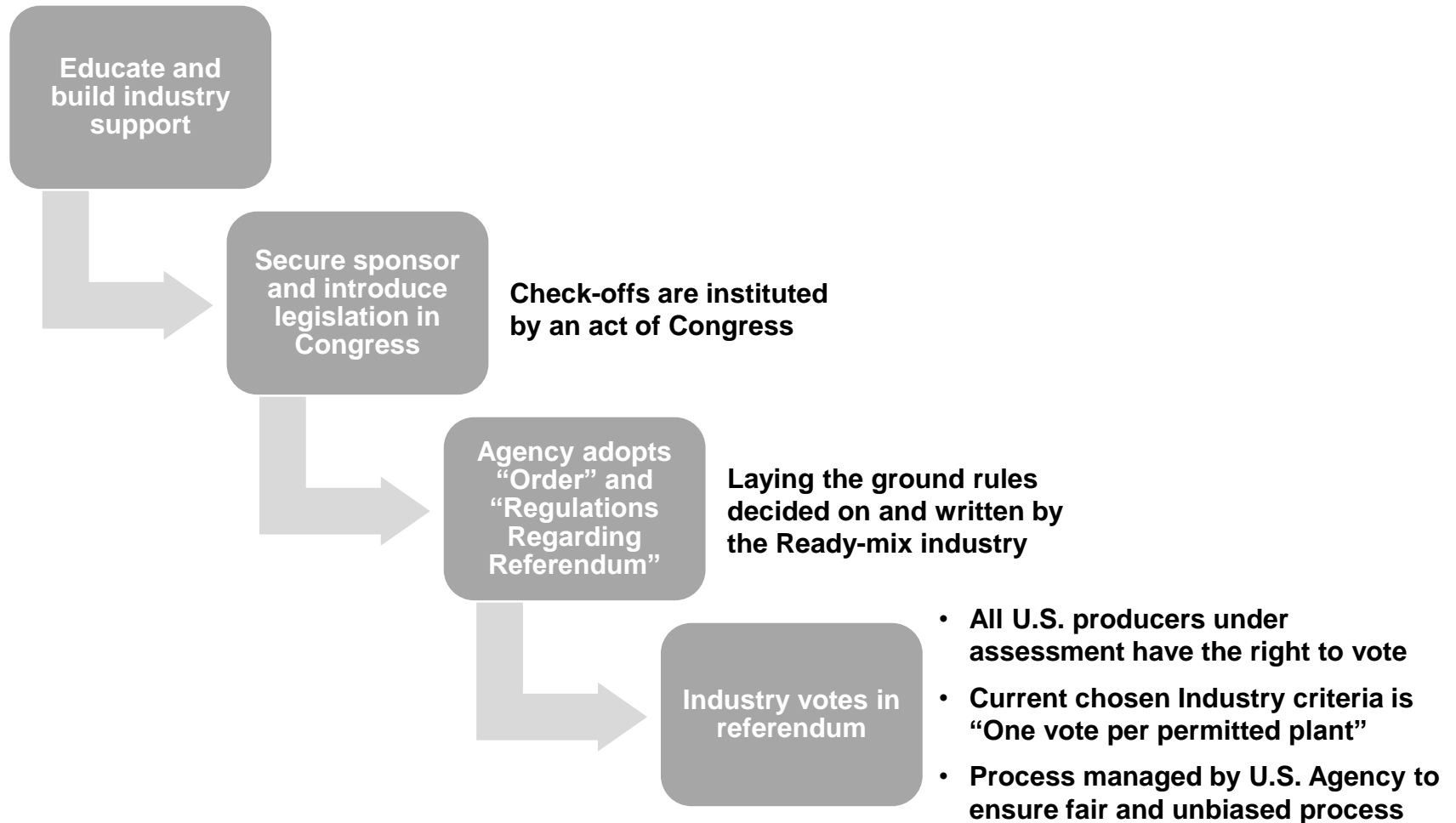
Process – Governance And Operations

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



Check-off seeks to increase resources necessary for the long-term economic growth of an industry

FOUR CRITICAL STEPS IN CREATING THE READY-MIX CHECK-OFF



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

ADEQUATE LEVELS OF FUNDING ARE POSSIBLE WITH LIMITED EFFECT ON PRODUCERS' FINANCES

Estimated U.S. Concrete Consumption (M CY) ⁽¹⁾

Scenarios for Potential Funds (M \$)

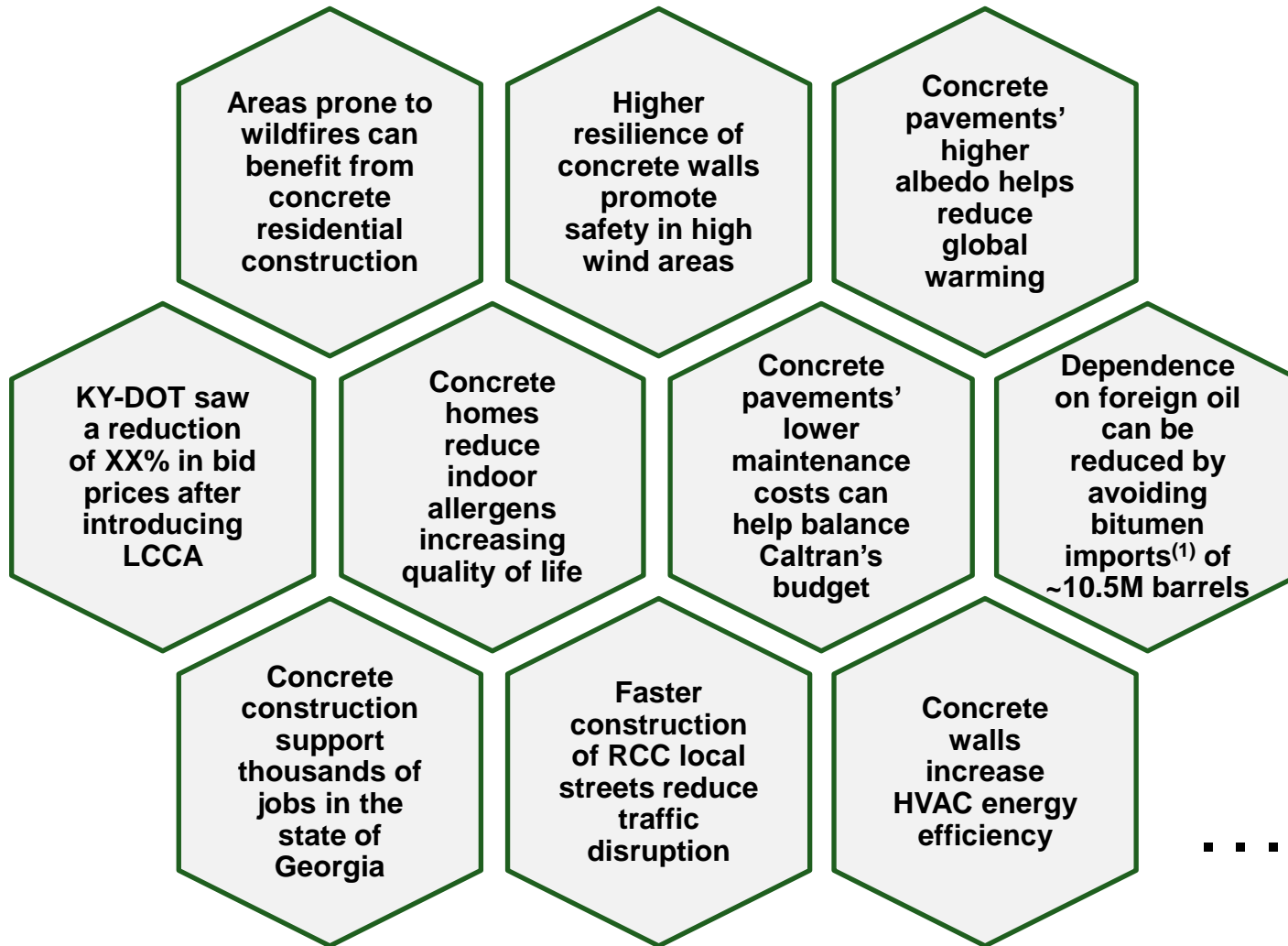
		\$ per CY	<u>0.05</u>	<u>0.10</u>	<u>0.15</u>
2005	456	22.8	45.6	68.4	
2006	456	22.8	45.6	68.5	
2007	415	20.7	41.5	62.2	
2008	351	17.6	35.1	52.7	
2009	259	12.9	25.9	38.8	
2010	257	12.9	25.7	38.6	
2011	266	13.3	26.6	39.9	

Even using a conservative scenario, this program can truly change the fate of our industry

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

THESE FUNDS CAN HELP DEVELOP AND PROMOTE STRONG ARGUMENTS IN FAVOR OF CONCRETE

There are countless scenarios to be used in favor of our industry



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SUCCESSFUL EXAMPLES OF CHECK-OFF PROGRAMS AROUND

Major Check-Off Organizations

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

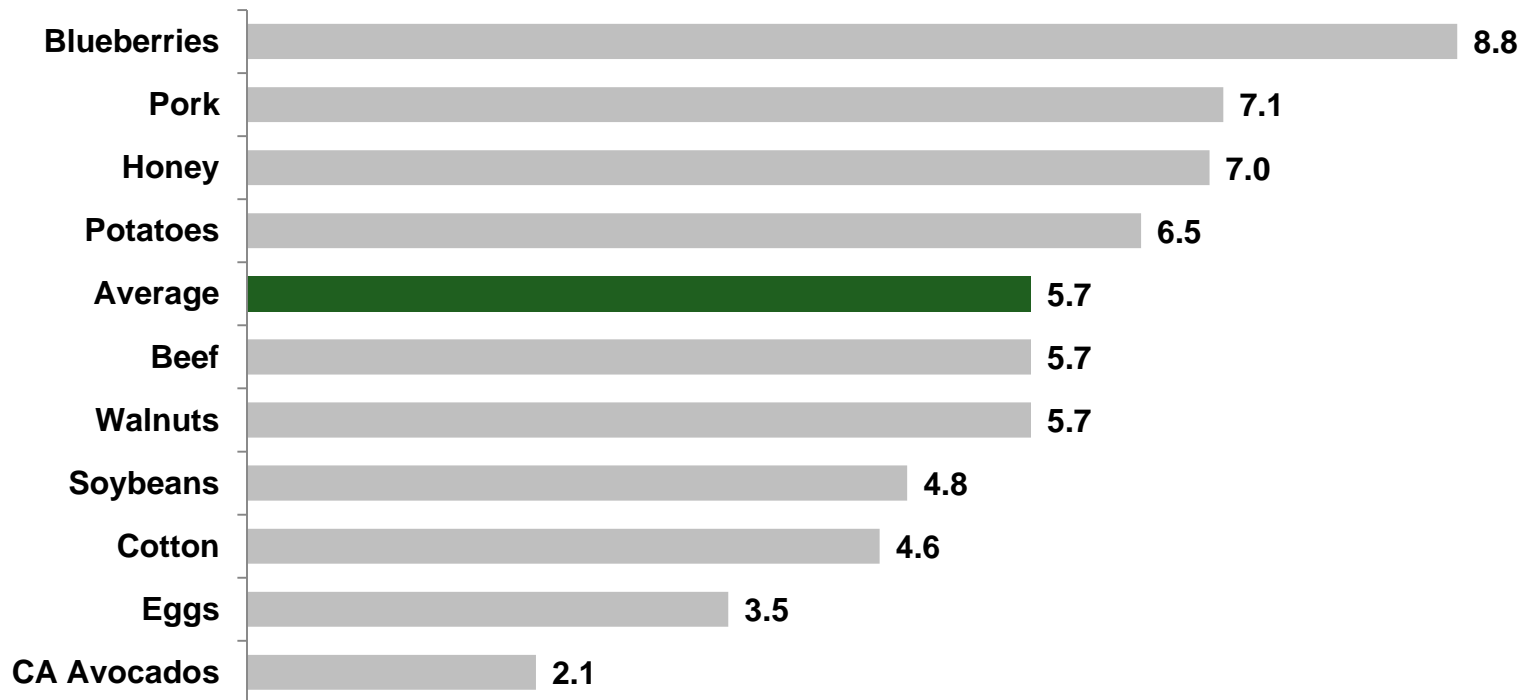
U.S. Highbush Blueberry Council

United Soybean Board

United States Potato Board

STUDIES SHOW CHECK-OFF PARTICIPANTS, ON AVERAGE, RECEIVE \$5.7 IN BENEFITS FOR EVERY \$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

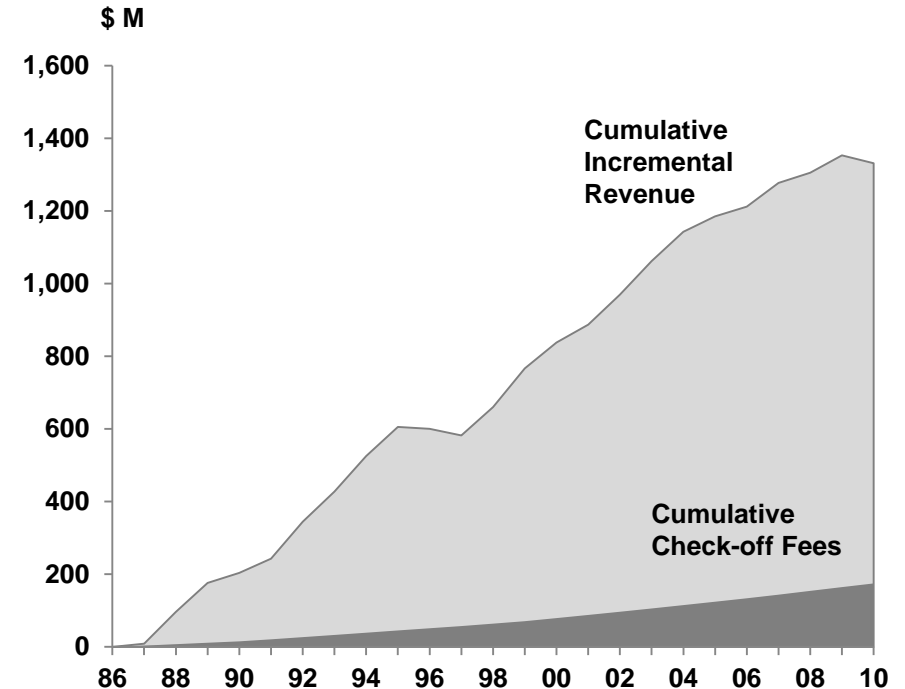
“PORK. THE OTHER WHITE MEAT”

Establishment of the National Pork Board...

- Established in 1985 by the “Pork Act”
- Program to promote pork consumption
- Consumer sales rose 20% by 1991
- Per capita consumption grew at a compounded annual rate of 1.4% during Act’s first 6 years
- In 2010, the consumption per capita was 3% higher than in 1986
- The cost-benefit ratio for the pork check-off Program was 7.1 in February 2007, when considering domestic promotion⁽¹⁾



...helped generate over \$1B additional revenue⁽²⁾



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

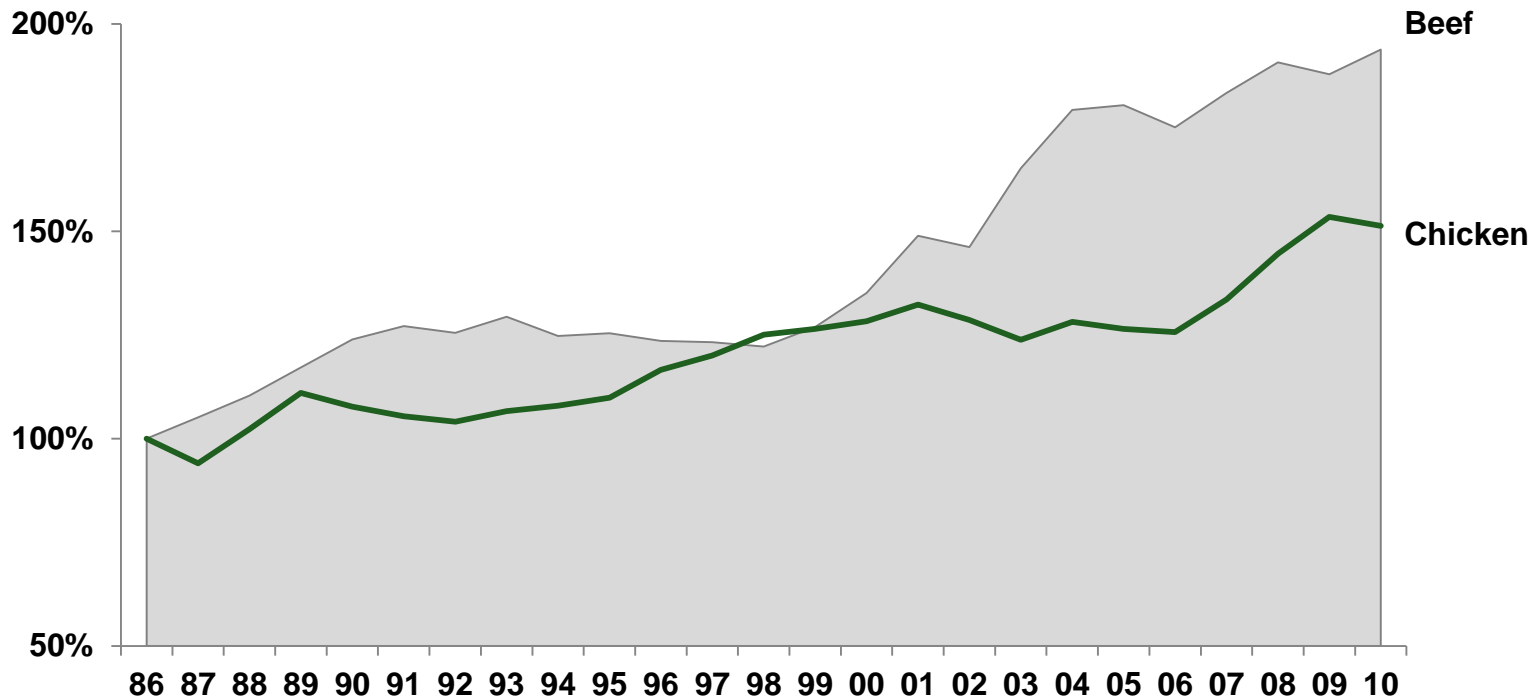
(1) http://www.rti.org/pubs/beach_pork-checkoff_final.pdf

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

“BEEF. IT’S WHAT’S FOR DINNER”

Beef Price Growth has Outpaced
that of Chicken by 50% Since 1986

Price Evolution of Beef and Chicken Since 1986⁽¹⁾

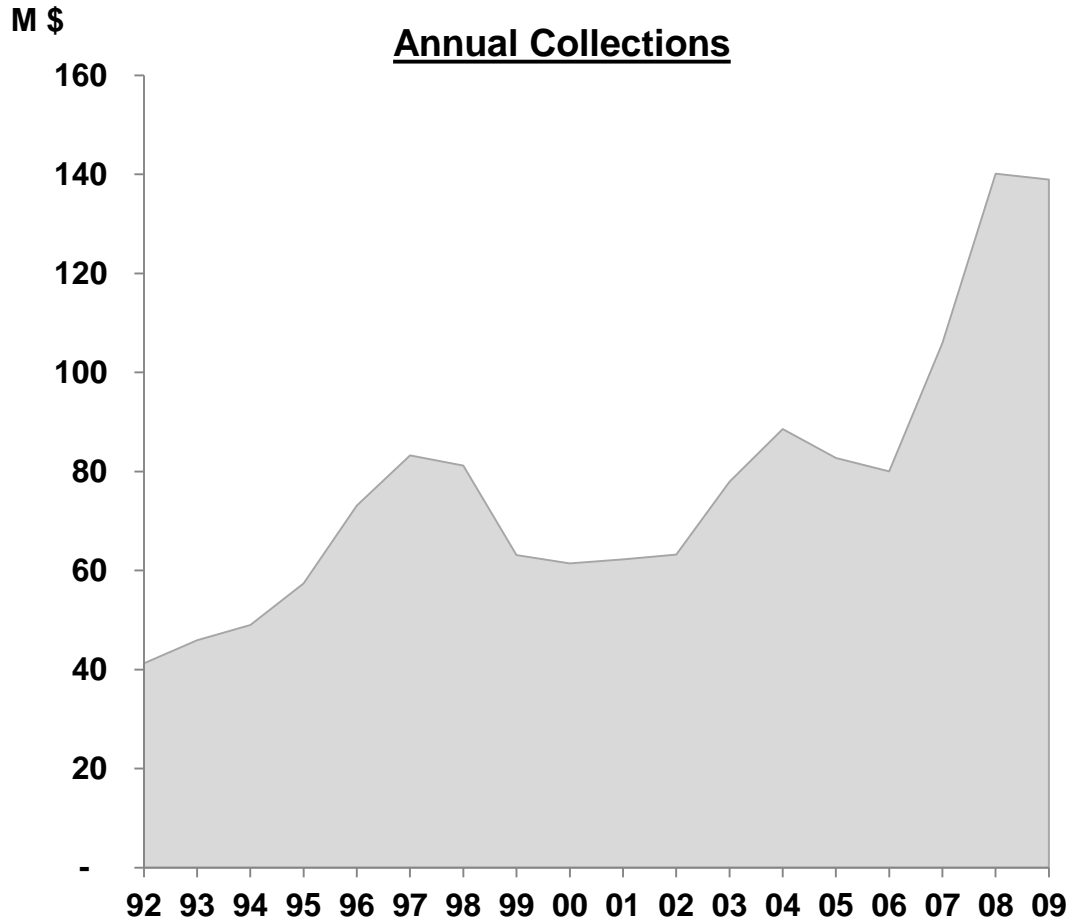


Check-off program has increased desirability of beef versus competing products

(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

VIRTUOUS CYCLE CREATING STRONG MOMENTUM FOR THE SOYBEAN INDUSTRY



Two decades ago collections for the Soybean industry were \$41.2M

Funds invested in ambitious educational programs to food manufacturers and other audiences

Considerable investment in R&D to expand uses of soybeans

Consequently demand for soybeans grew aggressively

That growth now funds industry promotion with collections of more than \$140M

- Three times larger than initial collections

EVEN THE CONCRETE MASONRY INDUSTRY HAS HIGH EXPECTATIONS FROM THE CHECK-OFF INITIATIVE

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)**

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STRICT GOVERNANCE AND PROPER STRUCTURE ENSURE CHECK-OFF IS MANAGED EFFICIENTLY

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

Board of Directors

- **A Board of Ready-mix producers will be created to manage the affairs of the program in compliance with industry written statutory mandates**
- **The Board is responsible for protecting the interests of the Ready-mix producers paying assessments**
 - **It has fiduciary responsibility**
 - **Approves program funding**
 - **Manages staff**
 - **Communicates to program participants**
 - **Manages the program in compliance with statutory requirements under the oversight agency**

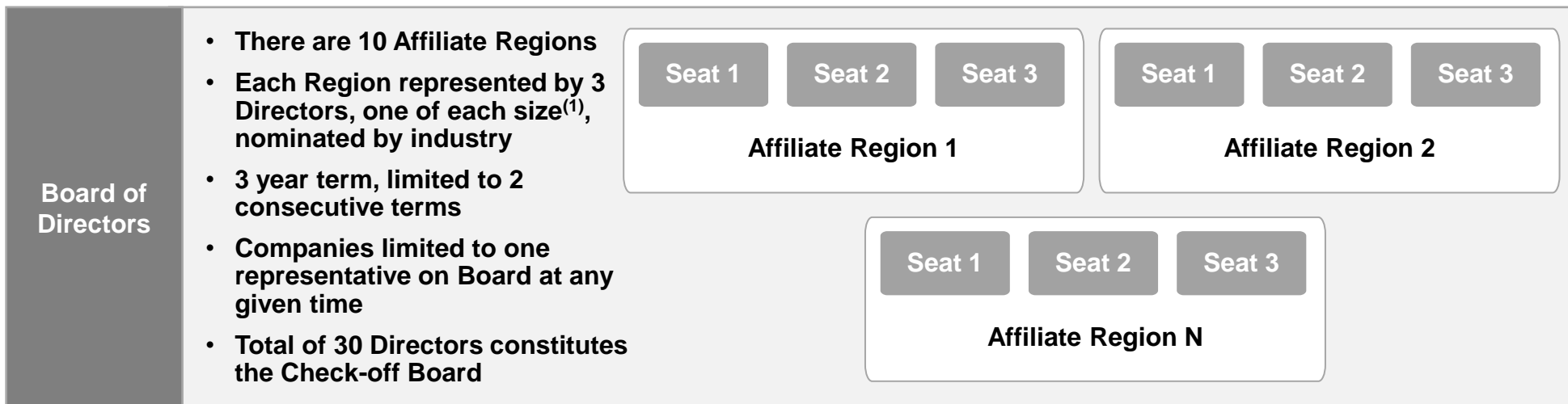
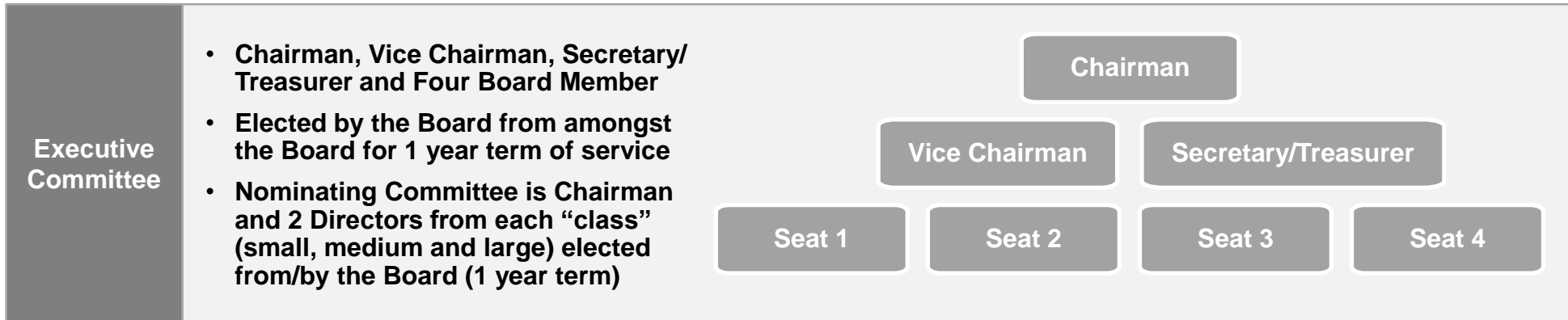
Federal Agency Oversight

Its focus is on use of funds, ensuring all interests are represented equally

- **Approves board's annual budget**
- **Reviews administrative expenses and justification for contract costs**
- **Limits administrative costs to a maximum of 10%⁽¹⁾ of annual assessments**
- **Approves business plans, programs and contracts**
- **Select/Appoints board members from industry nominations**
- **Attends board meetings**
- **Federal government has veto power over fundamental promotion messages under certain circumstances (i.e. We can not say concrete cures cancer)**

(1) Limit established by industry representatives

BOARD AND EXECUTIVE COMMITTEE DESIGN TO PROTECT THE INTERESTS OF THE INDUSTRY



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)

EFFICIENT AND EQUITABLE USE OF CHECK-OFF FUNDS

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

Use of Funds ⁽¹⁾		Comments
10%	Administrative	Agency costs reimbursement, overhead, cost of referendum, communications
45%	Regional, State, Local	<p>Project-based</p> <p>Objective is a penny in, a penny out</p> <p>Funding distributed in similar fashion as RMCRE Foundation</p> <p>Should not affect funding mechanisms already in place</p>
45%	National - Competition	<p>National marketing campaigns and content development for regional support</p> <p>Research conducted by higher education institutions and private contractors</p> <p>Education programs targeting key decision-makers at the federal/national level</p> <p>Additional funds given to states with best results</p>

Funds

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

CONCLUSION

Is Check-off more Government intervention?

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

The Ready-mix Check-off is a unique opportunity to effectively position Concrete as the premier construction material in the U.S.