

TAKE INITIATIVE

2003 American Angus Association Annual Report

by Susan Rhode

The year 2003 presented its fair share of challenges for both registered and commercial cattle producers. The cattle market saw both highs and lows, and severe drought forced many producers to reduce or liquidate their herds, while other parts of the country were devastated by floods. A case of bovine spongiform encephalopathy (BSE) found in a single cow in Canada shut down trade borders and brought a range of related topics to the forefront for both the media and the government. Controversial government regulations, such as the implementation of the country-of-origin labeling law (often referred to as COOL or COL), stirred the industry. Beef demand gained momentum. Producers across the country enjoyed near record prices as they entered the fall.

The American Angus Association stood beside producers as they weathered these storms, monitoring the issues, providing information and developing cutting-edge programs and services. As the issues beef cattle producers face every day become more complex, the Association and its members must *take initiative* to improve the profitability of their businesses and stay competitive in the marketplace.

That's why "Take Initiative" is the theme of this *2003 American Angus Association Annual Report*. In the pages ahead you'll learn about the happenings and historical moments the Association and its entities experienced during the year. You'll also discover why the American Angus Association remains the largest beef breed organization in the world and why it sets the standard for the global production of beef. And in the end, you'll realize that the members of this 120-year-old organization are what keeps it on top.

Take initiative and join us for a journey through 2003. ■

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Saint Joseph, Mo., has been the home of the American Angus Association since 1956. Nearly half of the Association's 200 employees work in these offices, which also serve as headquarters for Angus Productions Inc., the Association's for-profit subsidiary, and the Angus Foundation. A team of 12 regional managers works in the field to offer assistance and services to members on the local level. The remainder of Team Angus works at the offices of Certified Angus Beef LLC, the Association's end product marketing program, in Wooster, Ohio, and in Manhattan, Kan.

AMERICAN ANGUS ASSOCIATION

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2003

A Year of Changes

The year 2003 marks the 120th birthday of the American Angus Association. While 2002 was a year of challenges, 2003 certainly brought about many changes. No one realized at the time the dramatic effect the tragic events of 2001 would have on our economy. That, coupled with a severe drought in 2002, caused a drastic reduction in cow numbers throughout the United States. Little did we realize that adversity would pave the way for excellent market conditions to prevail in mid-year 2003. With feeder and finished cattle prices at historic levels, cattle producers have many reasons to feel fortunate.

Board sets strategy

The year 2003 saw many new and exciting changes take place at the American Angus Association. Early in the year, the boards of the Association, Certified Angus Beef LLC (CAB) and Angus Productions Inc. (API) came together for a three-day strategic planning session in Saint Joseph, Mo. After assessing Association strengths, weaknesses and industry needs, five core strategies were developed (as outlined below).

In a follow-up session with staff and regional managers, objectives were listed, benefits were prioritized and barriers were identified, as were resources needed for

implementation of programs, services and systems to carry out a new strategic plan. Timelines and people responsible for meeting them were specified.

Attention to services

In the course of the year, many new services were explored in order to provide more services to our Angus affiliates — the end users of Angus genetics. New enhancements to the AngusSource program were rolled out in August, creating many new opportunities.

AngusSource provides the means for commercial producers with calves that are at least 50% Angus to provide better documentation of origin, genetics and management practices to potential buyers. This documented information will potentially add value to any set of Angus-influenced calves.

With industry trends moving toward individual identification (ID), as well as a documented record of that calf's history, this information may soon become commonplace, or even required.

The Performance Programs Department experienced another banner year, with a 3.4% increase in total weights processed and an increase of 3.3% in the number of herds participating in the Angus Herd Improvement Records (AHIR) program.

In early fall the Board of Directors approved the release of new tools for commercial producers to further simplify genetic selection decisions. The American Angus Association's Spring 2004 Sire Evaluation Report will include the release of Total Beef Value (\$B), the first in a series of bioeconomic values expressed in dollars per head. The complete set of bioeconomic values, or, in other terms, a net merit system, will include comprehensive reproduction and growth values in the future. The development and implementation of these tools are yet to come, but we can already see the value they will have for commercial producers.



John Crouch
Executive Vice President
American Angus Association

Brand news

The *Certified Angus Beef*® (CAB®) brand continues to set the pace in the food industry for sales of high-quality beef. For the fourth year in a row, sales of CAB products will surpass the half-billion-pound mark. Projected sales for fiscal year (FY) 2003 exceeded 580 million pounds (lb.), up some 8% from the past year. Sales of CAB Prime soared to 6 million lb., an increase of 135% from last year, and

sales of value-added products experienced an increase of more than 12%.

Business is good

Angus sales continue to dominate the industry. A total of 529 sales reported to the Association posted averages of \$2,241 for bulls and \$2,545 for females.

Registrations of Angus cattle in FY 2003 totaled 281,734 — a decline of 231 registrations from last year. However, transfers posted a slight increase.

Angus breeders are using new technology at an astounding rate. The use of Angus Information Management Software (AIMS) and the online tools available through AAA Login have increased electronic submission of registrations by more than 28%

American Angus Association Core Strategies

1. Achieve Angus excellence through information
2. Increase beef demand with Angus equity
3. Identify and implement relevant technologies
4. Optimize resources
5. Create opportunities

Mission Statement

To provide programs, services, technology and leadership to enhance the genetics of the Angus breed, broaden its influence within the beef industry and expand the market for superior-tasting, high-quality Angus beef worldwide.

and performance records by 15%. In total, more than 43% of registrations were received electronically for the year, as well as more than 50% of AHIR data. It's clear that members are leaving the pencil and paper behind for the ease and convenience of technology.

These are just a few of the highlights experienced by your Association and its entities throughout FY 2003. We are fortunate that it has been a fulfilling and prosperous year for this organization. I want to assure you that your Board of Directors and the staffs of the Association, API and CAB are dedicated to making FY 2004 just as successful.

I hope you enjoy browsing through the pages of this 2003 Annual Report. We have chosen "Take Initiative" as the theme for the year. I encourage you to do just that — *take initiative* to inform your commercial customers about the services and programs available through the American Angus Association. *Take initiative* to join the AHIR program and start collecting valuable data on your herd. *Take initiative* to sign up for AAA Login and discover how fast, easy and convenient it can be to submit your registrations online. *Take initiative* to get involved in your local or state Angus association and promote Angus in your area. But most of all, *take initiative* to give us a call if we can ever be of help to you.

John R. Crouch

The photograph used on the cover of this 2003 American Angus Association Annual Report was taken by Shauna Rose Hermel, editor of the *Angus Journal*, at Brooks' Chalky Butte Ranch, Bowman, N.D. The purebred Angus and commercial cow-calf operation is owned and operated by the Brooks family, including Steve Brooks, 2003 American Angus Association president. Cover designed by Mike Bush.



American Angus Association Executive Vice President John Crouch encourages participants at the 2003 National Angus Conference and Tour to *take initiative* as they apply what they learned at the conference program on their farms or ranches. Crouch says he enjoys the opportunity to meet and visit with Association members at events throughout the year.





Board of Directors LEADS THE WAY

The American Angus Association's Board of Directors is a group of 17 men and women who share a love for the Angus breed and a dedication to the Association and its members. These individuals volunteer their time and efforts, meeting as a group four times each year, and when needed, to guide the Association and plan for its future.

Coming from different locations across the country and from diverse types of Angus operations, each Board member has a unique perspective on the Angus business. These perspectives mesh together as one governing body that works both in committees and as a whole. Standing committees include activities, breed improvement, finance, industry relations, member services and public relations. A group of veteran Board members is also appointed by the president to serve as the Executive Committee each year.

Members of the Association's Board are also appointed to serve on the boards of Angus Productions Inc. (API), Certified Angus Beef LLC (CAB) and the Angus Foundation. Bob Norton, Saint Joseph, Mo., serves as an appointed industry representative to the CAB Board and was elected to serve as its chairman in 2003.

The American Angus Association is a not-for-profit organization and is owned and controlled by its members. Directors are elected by delegates who represent their respective states at the Association's Annual Meeting each November in

Louisville, Ky. If elected by the membership, directors may also serve two additional years as an officer.

Steve Brooks, Bowman, N.D., led this group as the 2003 American Angus Association president. Steve and his family are partners in Brooks' Chalky Butte Ranch, a purebred and commercial Angus operation. Throughout the year, the president serves as the Association's official representative at many shows and industry events. Brooks also had the opportunity to represent the Association internationally during his term, serving as a delegate to the 2003 technical meeting and tour of the World Angus Secretariat in Denmark and at other events in Argentina.

Joe Elliott served as vice president of the organization during the year. Joe operates a family-owned Angus herd near Adams, Tenn.

The primary role of the American Angus Association is to collect and to process performance and ancestral records on Angus cattle and to issue certificates of registration and transfer. The Association also provides a variety of other services for members, including support of shows and educational events, junior programs, public relations, services for commercial producers using Angus genetics, and the world's largest breed-specific branded beef marketing program, CAB. In addition, its for-profit subsidiary, API, publishes the Association's award-winning publications — the *Angus Journal*, for members; and the *Angus Beef Bulletin*, for commercial producers.

Above: Serving as officers and directors of the American Angus Association for 2002-2003 are (seated, from left) Leo Baker, Saint Onge, S.D.; Minnie Lou Bradley, Memphis, Texas; Joe Elliott, Adams, Tenn., vice president; Steve Brooks, Bowman, N.D., president; Keith Arntzen, Hilger, Mont., treasurer; Abbie Nelson, Wilton, Calif.; Jay King, Rock Falls, Ill.; (standing, from left) John Crouch, Saint Joseph, Mo., executive vice president; Richard "Dick" Tokach, Saint Anthony, N.D.; Gregg Blythe, Decatur, Ala.; Robert "Bob" Schlutz, Columbus Junction, Iowa; Ben Eggers, Mexico, Mo.; John Schurr, Farnam, Neb.; Dave Smith, Greensburg, Ind.; Bill Davis, Sidney, Mont.; Jot Hartley, Vinita, Okla.; Mark Gardiner, Ashland, Kan.; and Paul Hill, Bidwell, Ohio.

MEMBER SERVICES

Continue to Advance

When the American Angus Association was founded in 1883, providing service to members was its sole purpose. Now, 120 years later, the Association and its entities provide a wide range of programs, services and resources — not only to members, but also to people in every segment of beef production. However, providing quality services to members still remains the organization's top priority.

The Member Services Department employs more people than any other area of the Association. Opening mail, entering data, researching items in suspense and working one-on-one with breeders to answer questions and solve problems are all functions of the department.

Working hand-in-hand with the Information Systems (IS) Department and with the help of Angus Information Management Software (AIMS), the Member Services team continues to offer members faster and easier ways to do business. This trend is illustrated in the percentage of data submitted electronically to the Association by members. In fiscal year (FY) 2003, 121,813 registrations, more than 43% of total registrations processed for the year, were received via AAA Login (formerly Member Logon) or AIMS — a 28% increase from FY 2002.

These figures indicate a trend in how members choose to do business with the Association, opting for the convenience of electronic submission rather than the traditional method of filling out forms by hand.

The Association had a solid year in terms of work received from members. Refer to the table on this page for specifics on data processed in FY 2003.

The Association took a step forward in the service it provides to members by verifying parentage on Angus cattle. In December MMI Genomics Inc., Davis, Calif., was chosen as the Association's provider of DNA-based parent verification services. MMI Genomics is a wholly-owned subsidiary of MetaMorphix Inc. and offers a wide range of DNA technologies to the beef industry.

Parent verification is required for donor dams used in embryo transfer (ET) programs, sires used by artificial insemination (AI) and animals produced from cell-clone transfers.



Gerald Theis (left), Leavenworth, Kan., works with Association employee Bev Curran to count ballots for the election of delegates to the Association's 2003 Annual Meeting. The Member Services Department oversees the election process and works with the Credentials Committee to ensure an accurate count.

American Angus Association Record of Business Statistical Report—Fiscal Year 2003

Year-to-date	2003	Increase or (decrease)	
		No.	%
Registrations	281,734	(231)	(0.08)
ET registrations	25,414	321	1.28
Transfers	165,963	1,360	0.83
Regular members	2,624	—	—
Convert to regular members	291	—	—
Total regular members	2,915	(36)	(1.22)
Junior members	1,407	(43)	(2.97)
Nonresident members	3	—	—
AI certificates	119,378	73	0.06

Top 10 states in registrations and transfers

State	Registrations	State	Transfers
Montana	27,071	Missouri	12,821
Missouri	20,085	Texas	12,662
Texas	18,093	Montana	12,391
Nebraska	16,637	Oklahoma	9,793
South Dakota	15,568	Kansas	8,865
Kansas	15,129	Kentucky	7,878
Oklahoma	14,032	Nebraska	7,541
Iowa	11,796	Tennessee	6,738
Kentucky	11,478	Georgia	6,624
Tennessee	9,395	South Dakota	6,357

Top 10 states in new regular and junior memberships

State	Regular	State	Junior
Texas	287	Texas	130
Missouri	185	Missouri	96
Oklahoma	174	Oklahoma	93
Tennessee	141	Illinois	79
Kentucky	134	Indiana	74
Ohio	109	California	70
Iowa	108	Iowa	67
Indiana	105	Kansas	49
Georgia	99	Ohio	45
Illinois	90	Arkansas	44

TECHNOLOGY

Allows Members to Take Initiative

One of the long-range goals of the American Angus Association set forth by the Board of Directors in 2000 was to “become the leading information and service center, utilizing the most current communication technology, for the beef industry.”

The Information Systems (IS) Department has tackled that job head-on, working closely with all departments in the Association and Angus Productions Inc. (API) to develop in-house data processing systems and Web applications that allow members to get the most value from their data, as well as data submitted by other breeders.

Association employees rely on the IS team to do their daily work, as they manage all the data that comes through the door and the systems that process that data. They also provide hardware and

software support for the computers in the building, keeping them updated and virus-free.

Although members may not realize the work the IS Department does for them on a daily basis, they see the results. The Member Services Department is able to offer one-day turnaround on work that is submitted correctly, and the accuracy of that work is improved by the efforts of the IS

team. Other member benefits include the applications and resources available on the Web.

At the end of the year, more than 10,000 members were signed up to use AAA Login, formerly known as Member Logon, located at www.angus.org. This online service allows members to submit

registrations and transfers, birth, weaning and yearling weights and other data online. They can also renew their memberships, pay their bills or order supplies or merchandise from the Association. Almost any type of business with the Association can be done via AAA Login, 24 hours a day, seven days a week.

New services added to AAA Login this year include the ability to order DNA cards, print DNA sample submission order forms and view DNA cases and results. Members can also view and submit breeding data for Angus Herd Improvement Records (AHIR), order performance pedigrees and print or view address lists of their affiliate buyers from the last five years.

The IS Department maintains all Web sites hosted by the Association and API. For a sampling of these sites, see the accompanying list.



Wendy Peterson (left), and Tammy Poirier work with AIMS users on the phone, answering questions and troubleshooting problems that arise with data entry or record management. This service is free to all AIMS users.

Angus Web sites offer information

These Web sites, which are managed by the Information Systems (IS) Department, offer a variety of online resources to members.

www.angus.org — This is the Association’s flagship Web site and the place to go for information on programs and services, member and industry links, or contact information for the Association and its staff.

www.angusonline.org — This site is your passport to AAA Login, where members can submit registrations and Angus Herd Improvement Records (AHIR) data, purchase and transfer artificial insemination (AI) certificates, and view their registered herd inventory.

www.angusfoundation.org — Learn about projects supported by the Angus Foundation and why the success of Angus youth, education and research is vital to the future of the breed.

www.angussiresearch.com — Online, searchable version of the most recent American Angus Association sire evaluation.

www.njaa.info — This site is the official Web site of the National Junior Angus Association (NJAA). It includes information about

upcoming junior activities, downloadable scholarship forms, plus much more. Junior members can also enter junior shows online through this site.

www.beefrecords.com — This site is where producers can learn more about the Beef Record Service (BRS), obtain print enrollment forms to begin the program and submit cow herd information online. When enrolled, customers can also go to this site to view and sort their herd data.

www.angussource.com — AngusSource enables producers to convey the valuable source, genetic and management information about their Angus-influenced commercial feeder calves and replacement heifers to prospective buyers. An official AngusSource visual tag, available from the Association for \$1 each, enrolls cattle into the program. In addition, this information will be listed on the Internet and e-mailed on a weekly basis to potential buyers. Visit this site to enroll Angus-influenced cattle or to learn more.

www.angusbls.com — The Bull Listing Service (BLS) allows seedstock producers to advertise their bulls to the world. Users can search by region, expected progeny differences (EPDs) and preferred

Members manage herd records with AIMS

More than 1,700 members of the Association have found just how easy keeping accurate herd records, documenting health and vaccination information and managing customer profiles can be with Angus Information Management Software (AIMS).

AIMS was developed by the Association in 1994. Since that time it has revolutionized the way members manage herd data and do business with the Association.

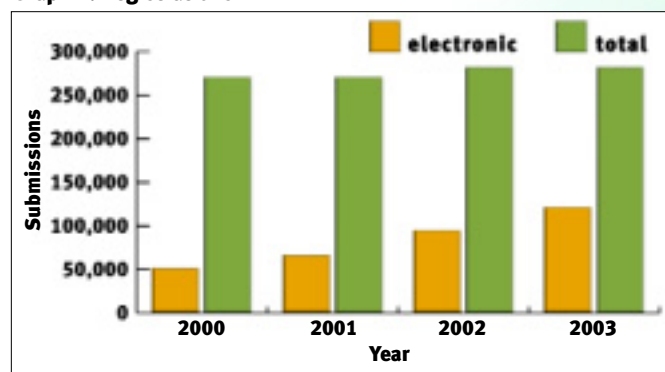
In fiscal year (FY) 2003, approximately half of the registrations, weaning weights, yearling weights and requests for artificial insemination (AI) certificates received by the Association were submitted electronically. While AAA Login on the Association's Web site contributed to that number, the lion's share of data submitted electronically was done so with the help of the AIMS program. The graphs at right show the growth in data submitted electronically by members.

The AIMS Department released another update, version 2.3, to the software during the year. Key features and improvements included:

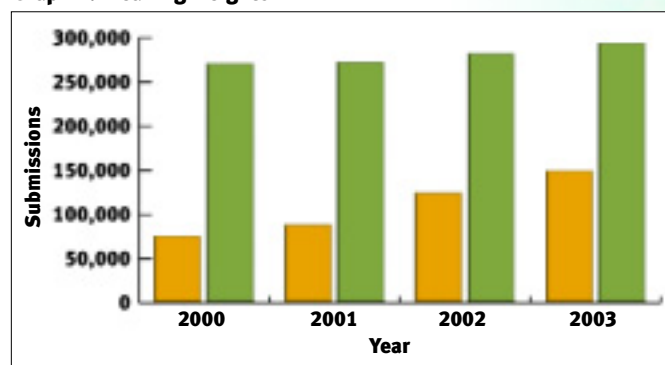
- AHIR validation — The software will now validate an animal's weaning and/or yearling data, detecting errors before the file is exported for processing.
- Disposal reasons — Users can report a disposal reason on a cow without a calf's record, allowing members to submit annual cow data to AHIR, with or without a calf.
- Registration and transfer — Users can now register and transfer a calf in one step.
- Breeding data submission — Breeding data can now be submitted to AHIR for future fertility research.
- New weaning options — The software now accommodates the new weaning formulas developed by the AHIR Department.

Growth in work submitted electronically to the Association

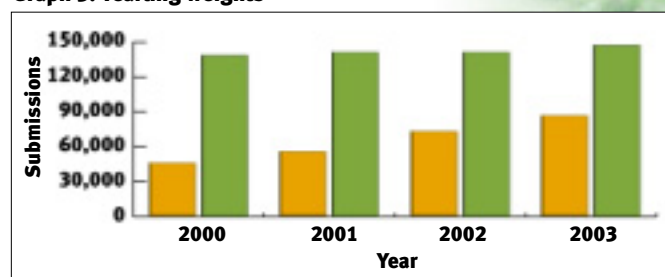
Graph 1: Registrations



Graph 2: Weaning weights



Graph 3: Yearling weights



sire lines to match their specifications. Listing prices range from \$4 to \$7 per bull, depending on the number listed.

www.angus.org/auxiliary — This is the official Web site of the American Angus Auxiliary. Visit the site to obtain an Auxiliary scholarship application, find contact information for officers and committee members, review the Auxiliary's by-laws or its history, learn about fund-raising activities, and access a membership application.

www.angus.org/links — Through this site you can readily access Web sites of regional and state associations, junior associations, members, industry and international associations.

www.angusjournal.com — This is the official Web site of the Association's award-winning publication, the *Angus Journal*. Features allow you to search past issues, browse online sale books and read the most current editorial content.

www.angusbeefbulletin.com — This site is dedicated to the Association's publication designed specifically for commercial producers, the *Angus Beef Bulletin*.

www.4cattlemen.com — Angus Productions Inc. (API) provides real-time coverage of the Cattle Industry Annual Convention and Trade Show and posts information presented at the convention.

www.bifconference.com — This site provides real-time coverage of the Beef Improvement Federation (BIF) annual meeting. Topics discussed at the conference are displayed online through symposium papers, newsroom articles and other informational postings. Listen to audios of presentations and view archives from previous conferences.

www.angusjournal.com/drought — This site provides a resource for producers across the country affected by drought. This comprehensive site was developed as a service to breeders to provide a one-stop site for information on how to deal with drought.

www.countryoforiginlabeling.info — This site offers information about the controversial issue of country-of-origin labeling (often referred to as COOL or COL). The purpose of this Web site is to serve as a gateway to information regarding the current interpretation of legislation, to inform producers of meeting dates that relate to country-of-origin labeling and to make you aware of current actions being taken by cattlemen across the country.

Members Are Dedicated To GENETIC PROGRESS

The Angus influence on the beef industry is greater now than ever before, making it even more critical for Angus breeders to continually improve the genetics they offer to commercial producers. The Association's Performance Programs Department is the hub of these efforts, processing data collected from farms and ranches and turning the results into practical, science-based tools that can be used by all segments of the beef industry.

In fiscal year (FY) 2003, Association members continued to advance the breed through their participation in Angus Herd Improvement Records (AHIR). Performance records were received from 8,281 herds during the year, an increase in participation of 3.3%. Birth, weaning and yearling weights submitted by members totaled 741,011 entries, an increase of 3.4% for the year, setting another milestone with the most weights submitted since the program began in 1962.

The genetic evaluation process becomes more multifaceted each year. AHIR data that once consisted primarily of birth, weaning and yearling weights now also focus on traits relating to end product merit and fertility. An extensive database of beef cattle records is one of the Association's

greatest assets. Taking this data and designing accurate prediction tools with an industry-relevant approach has created an increased market share for Angus genetics.

Ultrasound technology continues to be a valuable tool for characterizing the breed for genetic prediction of end product merit. Individual ultrasound records were received on more than 95,000 animals — a 14% increase for the year. During the past year, 2,394 new sires had progeny evaluated for ultrasound body composition, bringing the total number of sires assessed up to 12,356, according to the Fall 2003 Sire Evaluation Report. The collection of ultrasound data began in 1998. Since then, records on 309,721 head have been added to the database. Breeders also continue to collect actual progeny carcass data to further enhance the carcass expected progeny difference (EPD) predictions on Angus sires.

In June the Association's Board of Directors approved a change in the method for calculating adjusted weaning weights to meet industry needs by expanding the age window to include calves as young as 120 days of age. The data from calves

between 120 and 159 days of age will now also be included in the National Cattle Evaluation (NCE). A new, nonlinear formula for adjusting 205-day weights was implemented and will provide a more accurate description of the weight variation within a contemporary group.



Sally Dolezal joined the Performance Programs Department in July as the genetic research director.

Sally Dolezal joined the Performance Programs Department in July 2003 as the genetic research director. Her duties include the coordination of research activities, production reviews and applications of the biannual NCE.

Dolezal's knowledge and experience will help expedite the transition of the NCE to a total in-house system. At the end of the fiscal year, two components were being run in-house, and progress was being made toward generating all genetic predictions on the Association's computer system.

In September, the Board took a pivotal step in the development of innovative new selection tools for commercial producers by approving the release of the first in a suite of bioeconomic values known as Total Beef Value (\$B). Expressed in dollars per head, this multitrait selection device will add simplicity to genetic selection decisions for both commercial beef producers and Angus seedstock suppliers.

Total Beef Value encompasses the dollar-per-head difference in progeny postweaning performance and carcass merit combined. The \$B value is made up of Feedlot Value (\$F) and carcass Grid Value (\$G). The values are calculated for animals with growth trait EPDs and some type of end product predictions (carcass EPDs, ultrasound EPDs or both). These new values will be released with the Spring 2004 Sire Evaluation Report.

Data management efforts in the Performance Programs Department have been a major emphasis during the past year. The electronic submission of data via Angus Information Management Software (AIMS) or AAA Login saves members time, improves accuracy, and allows the department to process and return work more quickly. In FY 2003 more than 50% of total weaning weights and nearly 60% of total yearling weights were received electronically, both representing a 15% increase from the previous year.

Additional enhancements on AAA Login allow breeders to submit breeding and pregnancy information on their herds, which will be used to further develop reproductive measures for the Angus breed. New downloadable spreadsheets with data preloaded were also made available for weaning, yearling and carcass data submission, which helped breeders with limited Internet access take advantage of electronic data submission for their herds.

AMERICAN ANGUS ASSOCIATION — THE BUSINESS BREED									
The Evaluation: Weaning, Available, December 1, 2003									
Apply the Evaluation Program Parameters									
Display the Evaluation Report for the Evaluation Parameters Selected									
Evaluation Summary									
Item	Value	Min	Max	Std Dev	CV	Correlation	Rank	Weight	EPD
Birth Weight	41.1	30.0	50.0	4.0	9.7%	0.00	1	100	0.00
Weaning Weight	219.0	150.0	280.0	20.0	9.1%	0.00	2	100	0.00
Yearling Weight	270.0	180.0	360.0	25.0	9.3%	0.00	3	100	0.00
Adjusted Weaning Weight	219.0	150.0	280.0	20.0	9.1%	0.00	4	100	0.00
Adjusted Yearling Weight	270.0	180.0	360.0	25.0	9.3%	0.00	5	100	0.00
EPD	0.00	-0.50	0.50	0.10	20.0%	0.00	6	100	0.00
EPD	0.00	-0.50	0.50	0.10	20.0%	0.00	7	100	0.00
EPD	0.00	-0.50	0.50	0.10	20.0%	0.00	8	100	0.00
EPD	0.00	-0.50	0.50	0.10	20.0%	0.00	9	100	0.00
EPD	0.00	-0.50	0.50	0.10	20.0%	0.00	10	100	0.00

The searchable online version of the Association's Sire Evaluation Report is one of the most frequently used data searches on the Association's Web site. Producers can search and find bulls that fit their genetic needs by going to www.angussiresearch.com. New data from the latest NCE is added to the report in January and July each year.

COMMERCIAL

Programs Add Value to Angus Genetics

Commercial beef cattle producers know it *takes initiative* to stay competitive in today's beef cattle business. But producers who use the programs and services offered by the American Angus Association Commercial Programs Department to assist with management and marketing of their herds have a good head start.

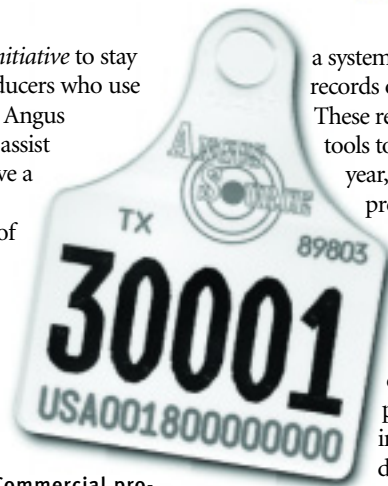
The Angus business is where it is today because of the thousands of commercial beef cattle producers who rely on Angus genetics to improve their herds. This group is as diverse as it is large, coming from all parts of the country, facing different environmental and management challenges, and aiming for different targets.

The American Angus Association is proud to call a portion of this group "Angus affiliates" — a title given to those individuals who are not members of the Association but who have recently purchased and received the ownership transfer of a registered Angus bull. The Association stays in constant contact with this group, as their success is critical to the success of Angus breeders. Their primary link with the Association is the Commercial Programs Department, which works every day to create tools bull buyers can use to be more efficient and profitable on their farms or ranches.

Information is the driving force of today's beef industry, and as trends shift to favor cattle with documented information, the Commercial Programs Department has enhanced the AngusSource program to fill that niche. AngusSource enables producers to convey source, genetic and management information on their Angus-influenced commercial feeder calves and replacement heifers to prospective buyers. Producers can enroll cattle in the program by requesting AngusSource ear tags, which cost \$1 each. These enhancements were made in August, and many producers had already requested tags by the end of the fiscal year.

Commercial producers continue to aim for quality and production targets to increase marketing options. Those targets are easier to hit when producers know more information about their genetics. Last winter more than 50,000 Angus affiliates received updated expected progeny differences (EPDs) on all active bulls in their ownerships. These updated EPDs allow them to make more informed breeding decisions. The EPD update mailing, which is a partnership project with AgriLabs, will continue on an annual basis, following the release of National Cattle Evaluation (NCE) data.

The Beef Record Service (BRS) continues to provide



Commercial producers can enroll calves in AngusSource by requesting ear tags, which include the calf's identification and herd of origin, from the Association.

a system for commercial producers to keep performance records on their animals, regardless of breed compositions. These records can be used as valuable decision-making tools to enhance ranchers' profitability. At the end of the year, 12,298 dams from 141 herds were enrolled in the program.

The department, along with corporate partner BioZyme Inc., continues to offer the BRS "black book," a pocket-sized recordkeeping book that producers use to record production notes in the field. Data is then entered from the book into BRS, or it can be used in other ways to document production and management information on individual calves or groups of cattle. The department offers a special marketing option to Angus breeders who want to provide the BRS black books to their commercial customers. Each breeder can have his or her farm or ranch name, contact information and logo printed on the back of the books, giving customers daily exposure to the ranch name and logo, while providing a useful management tool for commercial operations.

Commercial Programs Department staff continue to coordinate corporate sponsorship efforts for the Association, working with industry partners to support various programs and services. Sponsorships were secured for several events this past year, including the National Angus Conference, the National Junior Angus Show (NJAS), the Angus Leaders' Boot Camp, the Annual Banquet, the National Western Stock Show (NWSS) and others. In addition, services such as the BRS black books, EPD updates for affiliates and the sire evaluation listings were all made possible thanks in large part to corporate sponsorships. These partnerships allow the Association to provide improved programs and services at a lower cost to members.



Improving the management of a commercial beef cattle operation begins with individual identification of cows and calves. AngusSource and BRS enable producers to document valuable source, genetic and management information on their calves, which leads to improved marketing options and more informed management decisions on the farm or ranch.

Association Activities Put Members ON THE MOVE

Angus breeders enjoy the opportunity to get out and about, and Association-sponsored activities are a good reason to do so. Members who *take initiative* to attend these events receive both social and professional rewards, as many activities offer opportunities to learn about new American Angus Association programs and services or new trends and technology in the beef industry. Attending shows and events across the country is also a great way to catch up with old friends and make new ones.

Many Association activities are held in conjunction with shows, where breeders compete in open classes with their cattle. Some of these shows are designated as Roll of Victory (ROV)

shows, where exhibitors earn points for their winnings.

Overall ROV winners for the year are recognized each November during the North American International Livestock Exposition (NAILE) in Louisville, Ky.

Another activity that takes place during the NAILE is the Association's Annual Meeting of the membership, which includes the election of officers and five new directors for the organization, plus many other business and social activities.

The Angus schedule at the NAILE includes junior and open cattle shows, which attract exhibitors from across the nation.

The Association hosts an informational forum each year during the event, which

focuses on new programs and services or issues facing the breed. Members are honored for various accomplishments during the Annual Banquet. The program includes the presentation of the

National Junior Angus Association (NJAA) Outstanding Leadership Award, recognition of past and present officers and directors of the Association, and the induction of individuals into the Angus Heritage Foundation.

The Angus Heritage Foundation was created to recognize the people who have made major contributions to the improvement and advancement of Angus in the United States. Inductees in 2002 were Lyle Haring, Iowa; David McMahon Sr., Arkansas; Ray Woodward, Montana; and W.J. Harrer, Montana.

Another well-attended activity is the National Western Stock Show (NWSS) each January in Denver, Colo. Several members and commercial producers attend the event to watch junior and open shows, as well as the pen and carload shows, which feature groups of bulls. Angus activities extend for several days at the NWSS, offering members a chance to evaluate cattle and socialize with their peers.

The National Western Angus Bull Sale, the only sale the Association sponsors, is held at the NWSS. Entries are judged in the showing and displayed for buyers before the sale. In 2003, consignors sold 36 lots that grossed \$186,300 for an average price of \$5,175 per lot.



Exhibitors work to catch a judge's eye at the 2002 NAILE Super-Point ROV show. The 279 entries at the event were placed by lead judge Randy Daniel, Colbert, Ga., and associate judge Frank Jackson, Bentonville, Ark.

2002-2003 Roll of Victory winners

Show Bull of the Year • Roth CAF United 3481

DeWayne Costin, Greencastle, Ind.
Beth Patton, Rensselaer, Ind.
LaGrand Angus Ranch, Freeman, S.D.

Show Heifer of the Year • Champion Hill Lady 2185

Champion Hill, Bidwell, Ohio
Fox Cross Farm, Alderson, W.Va.

Sire of the Year • Famous 7001

Brockmere Farms Inc., Brookfield, Mo.
Summitcrest Farms, Summitville, Ohio
LaGrand Angus Ranch, Freeman, S.D.

Dam of the Year • G13 Lady Dividend 7043

Greg Smith, Elida, N.M.

Breeder of the Year • Roth Angus, Freeman, S.D.



Doug (left) and Jane Satee, Montague, Texas, were recognized as Herdsman of the Year at the 2003 NWSS Annual Angus Herdsman's Banquet. Presenting the award is James Fisher, American Angus Association director of activities and junior activities.

ANGUS YOUTH

Take Initiative

For many years the American Angus Association's youth programs have been one of the shining stars of the Angus business. The National Junior Angus Association (NJAA) is comprised of youth, ages 21 and younger, who share a love for the Angus breed and enjoy participating in Angus activities. At the end of the year, more than 11,000 youth, representing nearly every state and Canada, were active in the NJAA.

Of all the activities the Association coordinates each year, the National Junior Angus Show (NJAS) is the biggest. This annual event moves to a different host state each year and includes a week full of leadership and educational activities, as well as showing competitions.

In 2003 juniors and adults from Kentucky hosted the NJAS in Louisville. "Kool as can be in 2003" was the theme for the event, which included 663 exhibitors showing 1,165 head of cattle. In addition, more than 700 NJAA members participated in speaking, team sales, showmanship and other competitions outside the showing.

In addition to the fun and games at the NJAS, juniors also convene for the annual meeting of the NJAA. State delegates (up to two per

state) vote for candidates vying for six director positions on the NJAA Board. Terms on the NJAA Board are two years in length, and directors serve as officers during their second terms.

Juniors from across the country also participate in the Leaders Engaged in Angus Development (LEAD) Conference during the year. NJAA members 14 years of age and older are eligible to attend this three-day event, which is staged in a different location each year. Juniors gathered in Fort Worth, Texas, in 2003 to take part in educational workshops, listen to motivational speakers and tour some beautiful Texas countryside.

Junior members continue to learn about programs and opportunities on the NJAA Web site at www.njaa.info. For the first time, juniors could submit their entries to Association-sponsored shows via the Internet in 2003. They can also access show and event schedules and state association officer listings.

The NJAA Board and all junior members continue to benefit greatly from the work of the Angus Foundation. In

2003 the Angus Foundation and other cooperating organizations awarded \$40,000 in scholarships to members of the NJAA. ■



These junior members were elected to serve on the 2003-2004 NJAA Board of Directors. Seated are (from left) Jennifer Beck, Carrboro, N.C., chairman; Jamie King, Tiffin, Ohio, vice chairman; Jennifer Ourso, Donaldsonville, La.; and Amy Wolfrey, Frederick, Md., leadership director. Standing are (from left) Cortney Collins, Tanner, W.Va., communications director; Joanna Olson, Hereford, Texas; Kyle Conley, Clarksdale, Mo.; Trever Kuipers, Onarga, Ill., Foundation director; Jarrett Martin, Lavaca, Ark.; Tyler Grissom, Prague, Okla.; Jeana Sankey, Council Grove, Kan.; and Jamie Hower, Bethlehem, Pa., membership director.



NJAA members gathered in Fort Worth, Texas, in July for "Discover Your Worth," the LEAD Conference. Angus youth from across the country participated in leadership and personal development workshops and heard from a variety of beef industry speakers at the event.



The NJAA is an organization based on family involvement that focuses on the learning and development of Angus youth. Angus cattle projects and other contests or activities on the national, state and local levels allow families to work together toward a common goal while teaching life's lessons of sportsmanship, hard work and responsibility.

REGIONAL MANAGERS

Initiative Starts in the Field

No other group in the Angus organization takes the term *take initiative* more seriously than the regional managers. These 12 men have diverse backgrounds and experiences in the cattle business, but they are all dedicated to the same goal — providing the best possible service to American Angus Association members and their commercial customers.

More than 34,000 members depend on their regional managers for communication, information and service, as well as for the guidance and support they need to compete in the seedstock business. Regional managers foster relationships with commercial producers in their territories, helping them find the genetics and services they need to better manage their operations. They serve as an important link between the Angus business and the beef industry, working on the front lines every day to promote the Angus breed.

The American Angus Association continues to maintain the largest field staff of any

member-based organization in the beef industry.

Regional managers work from their homes and divide their time between serving the Association and representing Angus Productions Inc. (API), the Association's for-profit subsidiary that publishes the *Angus Journal* and the *Angus Beef Bulletin*. They assist the Certified Angus Beef LLC (CAB) supply development staff in various ways and work closely with state, regional and local Angus associations in their territories.

Working as a regional manager means working on the road. Attending Angus shows, sales and events is a primary responsibility and provides maximum access to the membership. You'll often find a regional manager checking

Left: Casey Worrell, regional manager in Texas and New Mexico, speaks to participants at the 2003 Leaders Engaged In Angus Development Conference in Fort Worth, Texas. Regional managers are vital in the planning and coordination of special events in their territories.

Right: Bill Powell, former regional manager in the northeastern United States, retired in March 2003 after serving the American Angus Association and its members for 23 years. Taking bids at Angus sales is a primary responsibility for all regional managers, and it was one of Powell's favorite aspects of the job.



Regional managers Andy Rest (left) and Jerry Cassady (center) provide class winner information to Tanya Peebles for live coverage of the 2003 National Western Stock Show in Denver. Regional managers are an important part of the work crew at every Angus show and event.

in cattle or working the ring at Angus shows, taking ringside bids during an Angus auction, or visiting with people at the Angus booth at an industry trade show.

As the Angus business continues to grow, so does the number of breeders who host sales on their farms or ranches and associations or groups that host consignment sales in their local areas. In fiscal year (FY) 2003, regional managers attended many of these events.

According to their reports, females sold for an average price of \$2,545 per head, and bulls sold for \$2,241 per head. These figures compare with average prices for FY 2002 of \$2,474 and \$2,358, respectively.

In addition to being known for their knowledge and professionalism, Angus regional managers are also known for their tenure working for the Association, with more than half of the group having served more than 10 years.

A veteran member of the team, Bill Powell, Thurmont, Md.,

retired from his post in March 2003. His territory included Delaware, Maryland, the New England states, New Jersey, New York, Pennsylvania, Virginia and West Virginia. Powell worked for the Association for 23 years and was recognized by Association members and his peers for his commitment and work promoting the breed.

David Mullins, a native of Virginia, was chosen to fill Powell's shoes in the northeast territory. Mullins is a graduate of Virginia Polytechnic Institute (Virginia Tech) and was a field representative with the American Gelbvieh Association before accepting the position.

Most services provided by regional managers are free to members, with the exception of advertising in the *Angus Journal* or *Angus Beef Bulletin*. With a large membership to serve, it's difficult for each regional manager to spend much time visiting individual

breeders. However, each is available by phone and e-mail or at shows and events to answer questions about Association programs and services.

The Association's team of regional managers *take initiative* every day to see that the needs of their members are met and that the Angus breed is promoted in their territory. They serve as a valuable resource to both new and experienced Angus breeders and commercial producers, and they add value to the programs and services offered by the Association and its entities.





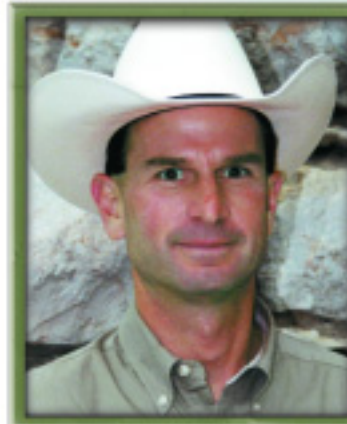
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Marketing and Public Relations Create ANGUS DEMAND

It takes initiative to create demand for the growing number of registered Angus bulls and females available in the commercial marketplace, and that effort begins with the Association's Communications and Public Relations (PR) Department.

With Angus genetics already being widely used in many parts of the country, the Association focused on creating greater demand for Angus bulls in an area with growth potential — the southeastern United States and Gulf Coast areas. Because of the hot, humid climate in this region, black-hided Angus cattle have not always been at the top of commercial producers' minds.

Therefore, the Board of Directors allocated funds for regional advertising and PR work in the area. A single-page, four-color ad targeting the use of Angus genetics in the South was created and inserted in state and regional publications. The headline, "Hot Opportunity," created interest in how Angus cattle could perform in the South and add value to a commercial herd. Regional radio advertising was also used to support the print campaign.

The Association's advertising efforts on the national level continued as well. The award-winning "Black Hide" campaign made its second appearance in national beef industry and agricultural

publications. A four-page advertorial insert, focusing on the advantages of using Angus genetics in commercial herds, added extra punch to the campaign.

Radio spots were also used to target producers in the top beef cow-calf states. The National Agri-Marketing Association (NAMA) recognized the Association's radio series with first-place and best-of-show awards on the regional level and two first-place awards on the national level in their Best of



Regional advertising in the southeastern United States touted the Angus breed's ability to perform in warm southern climates. The regional campaign included both print and radio advertising.

NAMA advertising and PR awards competition.

Creating relationships with agricultural media continues to be a top priority for the department. The Association participated in the National Association of Farm Broadcasters (NAFB) Trade Talk, where broadcasters interviewed Association staff about new programs and services as well as trends in the beef industry.

The department also continues to enhance services available on the online newsroom at www.angus.org. News releases are posted to this site, giving editors instant access to the latest Angus news. Some downloadable graphic files are also available, offering value-added editorial. More than 46,000 news releases and nearly 40,000 publicity photos were distributed to local, state, regional and national media for publicity purposes.

The 2003 National Angus Conference and Tour took place Sept. 24-27 in Mandan, N.D. More than 450 registered and commercial producers attended the event, which included educational workshops, a one-day conference program and a two-day tour of Angus ranches across the state. The PR department coordinated the annual event, working closely with the North Dakota Angus Association to get members involved. Boehringer Ingelheim Vetmedica, Inc., (BI) was the Association's major partner for the project.

The department also organized the Angus Leaders' Boot Camp, an educational two-day conference for local, state and regional Angus association leaders. Each association was invited to send two delegates to Saint Joseph, Mo., for the June event. The first day included tours of the Association and Angus Productions Inc. (API) offices, followed by departmental updates, speakers and panel discussions on the second day. Purina Mills LLC sponsored the event.

The department continued to maintain and develop educational literature and brochures and coordinated the Association's participation in industry trade shows during the year.

Garrett Wilkerson, Central Point, Ore., an agricultural journalism student at Texas A&M University, worked as the summer intern in the department. He helped with coverage and publicity of summer shows and events as well

as feature writing for newsletters and publications.



Association Board member Richard "Dick" Tokach, Saint Anthony, N.D., completes an interview with a local farm broadcaster during the 2003 National Angus Conference and Tour. Building relationships with media, both print and broadcast, is a top priority for the Communications and Public Relations Department.



Representatives of local, state and regional Angus associations toured the offices of the American Angus Association and API as part of the Angus Leaders' Boot Camp. More than 60 people from 20 states attended the event.

American Angus Auxiliary Focuses ON THE FUTURE

The women of the American Angus Auxiliary know what initiative is all about. After celebrating the group's 50th anniversary in 2002, American Angus Auxiliary members worked this year to focus their efforts on achieving new goals in the next 50 years.

The Auxiliary, which includes Angus enthusiasts from across the United States, is a volunteer organization that was founded to encourage the promotion and consumption of beef, facilitate education, develop Angus youth, promote the Angus breed and organize social activities that strengthen the bond among Angus women.

Angus youth continue to be a top priority for the Auxiliary, especially when it comes to scholarships and recognition. During the year, the Auxiliary awards scholarships to five boys and five girls entering their first year of college. Each applicant must be chosen on the state level before competing against Angus youth from across the country for the national awards. The 2003 scholarship winners are listed in the graphic box on this page.

The Auxiliary entered a new era in the management of its scholarship program in 2003, joining forces with the Angus Foundation to manage and distribute funds. The Auxiliary donated \$169,525 to the Foundation as an endowment to support the 10 annual Auxiliary scholarships. Even though Association staff now manage the financial aspects of the program, the application and selection procedures remain with the Auxiliary.

The 20th anniversary of the Auxiliary-sponsored All-American Certified Angus Beef® (CAB®) Cook-Off was celebrated during the National Junior Angus Show

(NJAS) in July. A record number of entries competed in the contest, with 45 teams and more than 200 "Angus chefs" cooking, entertaining, and educating judges and standing-room-only crowds about the advantages of CAB products. A new deli meats division was added, with teams developing creative recipes for meals on the go. Awards are given for recipe and showmanship in each category, and the overall winner in all categories wins the "Black Kettle Award," which is given in the memory of Paul St. Blanc. The Cook-Off continues to be one of the favorite events at the NJAS.

Other awards the Auxiliary presents to youth during the year include the Silver Pitcher Award, which recognizes one boy and one girl who exhibit the highest-placing animals at the NJAS, and the Janet Castle Crystal Award, which recognizes one boy and one girl who excel in the educational and leadership contests at the NJAS. A special award was added in 2003 — the Richard L. Spader Memorial Belt Buckle Award. This award is given in memory of Richard "Dick" Spader, former executive vice president of the American Angus Association. This award is presented to the first-place winner in the

senior division extemporaneous speaking contest at the NJAS.

Ways and Means continues to be an important part of Auxiliary activities, providing financial support for programs. The group's Web site, which is located at www.angus.org/auxiliary, was redesigned during the year, and several new features were added. All items the Auxiliary sells through its Ways and Means efforts can now be ordered online.

2003 American Angus Auxiliary scholarship winners

Girls

Wravenna Phipps, Kearney, Neb.
Lisa Stream, Chariton, Iowa
Megin Santee, Langdon, Kan.
Keela Retallick, Glen Haven, Wis.
Chelsea Moffitt, Kirksville, Mo.

Boys

Jarrett Martin, Lavaca, Ark.
Mark Gleason, Midlothian, Texas
Cody Washam, Pierce City, Mo.
Jacob Wolfrey, White Post, Va.
Brady Quam, Lodi, Wis.

In the past 20 years, Anne Patton Schubert, co-founder and chairman of the Auxiliary-sponsored All-American Certified Angus Beef® Cook-Off, has seen the contest grow and develop from a fun way to educate junior members about beef to one of the most popular events at the NJAS.



The American Angus Auxiliary's Web site, which is located at www.angus.org/auxiliary, was updated during the year, offering more information about the organization and programs it supports, as well as online ordering of Ways and Means items.

ANGUS PUBLICATIONS

Tackle Industry Issues

In a world full of endless information, Angus breeders look to publications and services from Angus Productions Inc. (API) to provide them with the information and marketing tools they need to be competitive in the seedstock business and to promote their programs to commercial customers. The API Board of Directors and staff *take initiative* to provide this service to members and to offer tremendous resources to the beef industry.

API is a wholly owned, for-profit subsidiary of the American Angus Association. It publishes the *Angus Journal* and the *Angus Beef Bulletin* and provides additional marketing assistance to producers through the Web Marketing and Special Services departments. Since purchasing the *Angus Journal* in 1978, the Association has been dedicated to excellence in livestock publishing. This dedication is recognized by members and other professionals in the livestock publishing business.

Providing information in print

The *Angus Journal* is the Association's primary means of communication with members. Published 12 times each year, the *Angus Journal* communicates important information about Association programs and services; reports news from shows, events and sales; and provides production, marketing and management information that Angus breeders need to be successful in their businesses.

With 1,230 pages of columns and feature articles in fiscal year (FY) 2003, the editorial staff *took initiative* to provide 17,109 subscribers (average monthly circulation) comprehensive coverage of Association and beef industry news. The May and September issues were provided to another 3,900 National Junior Angus Association (NJAA) members whose households would not otherwise receive the publication.

The *Angus Beef Bulletin*, a newsprint tabloid publication produced four times each year, continues to be the Association's link to the commercial beef industry. It is mailed free of charge to Angus affiliates, or nonmembers who have recently received the transfer of registered Angus bulls into their ownerships, and other subscribers. Editorial content includes industry news and information and features about Association programs and services for commercial producers. Focus is also given to Certified Angus Beef LLC (CAB) supply development programs, with many articles explaining how producers can hit quality targets to meet specifications of the *Certified Angus Beef*® (CAB®) brand.

A growing number of Angus members are *taking initiative* by advertising in the *Angus Beef Bulletin* to promote their herds to

commercial producers using Angus genetics. Advertising revenue from the publication increased 5% in FY 2003. With a readership of more than 67,000, the *Angus Beef Bulletin* hit the primary target audience for most advertisers of registered Angus cattle.

At its September meeting, the API Board *took initiative* to expand the Angus message by approving a three-year plan to increase the *Angus Beef Bulletin's* circulation to 100,000 producers. The Board's action will extend the Angus message to more commercial cattlemen and will help advertisers reach more potential buyers with their herd advertisements.

Providing information online

Angus breeders look to API online services for instant information and a tremendous variety of resources. The Web Marketing Department manages API Web sites, develops breeder Web sites, and maintains a variety of special Web sites for Association members and commercial producers.

Interest in marketing Angus genetics abroad is increasing, and global partnerships and investments are occurring more frequently in the Angus business. With much to be learned about Angus herds and events in other countries and about marketing seedstock abroad, the API team *took initiative* to create www.angusinternational.info. This Web site features news and information of interest to Angus breeders around the globe.

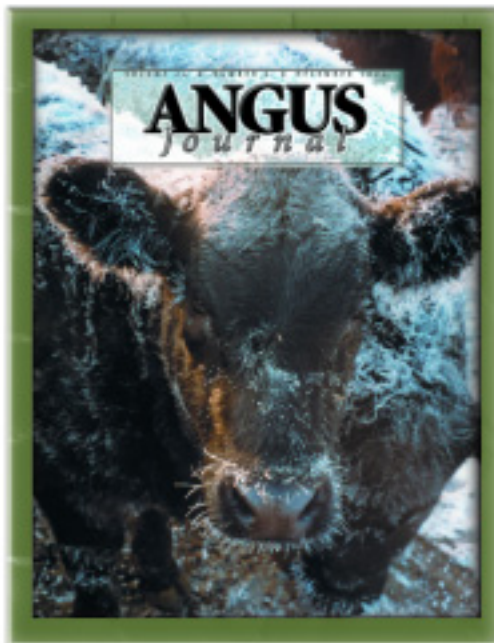
The Web Marketing Department has improved the timeliness of sale reports by working with regional managers to post

sale results (including top lots, gross sales, sale averages and numbers sold) soon after they happen.

The Web team continues to provide real-time coverage of Angus shows and industry events. The demands of the farm or ranch often don't allow many breeders to attend events in person. The API team provides a play-by-play of Angus shows, listing class winners and posting photos of division winners and champions.

Online coverage of events like the Cattle Industry Annual Convention and Trade Show, the Beef Improvement Federation (BIF) Annual Meeting and Research Symposium, and the National Angus Conference and Tour have caught producers' attention as well. Cattlemen across the country know they can count on API to provide information distributed at these events with a simple click of the mouse.

Boasting about 4,000 subscribers at year's end, the Angus e-List was the department's fastest-growing service in FY 2003. The API team utilizes the immediateness of this electronic news service to relay time-sensitive news and information, including sale results, to Association members. Subscribers receive a listing of Angus sales and events each Wednesday, and advertising options are available.



API sponsors the annual NJAA/*Angus Journal* Photography Contest. Entries are judged at the Association headquarters prior to the NJAS, where they are displayed and where the winners are announced. The December 2002 issue featured a photo from the 2002 contest. NJAA members entered 351 entries in the 2003 contest.

The Web Marketing Department was recognized as a leader among livestock publications at the 2003 Livestock Publications Council (LPC) Awards and Critique Program. Submitting five Web entries, API won four first-place awards (breeder homepage, banner advertisement, special site and livestock-affiliated site) and one second-place award (publication homepage).

Special services

The API Special Services Department continues to lead the industry in providing direct marketing tools for Angus breeders to effectively promote their businesses. Almost any print service can be handled by the department, including sale books, special inserts, brochures, sale fliers, postcards and business cards.

One of the advantages the department offers to members is a synergy with other API services and the Association. Each piece produced has the latest pedigrees and expected progeny differences (EPDs) downloaded directly from the Association database. Mail distribution options are easily available from Association membership or API subscriber databases. Sale books produced by the department can be transformed into searchable online sales tools and posted to the Web in the searchable format or as printed. These services offer breeders a competitive edge in the seedstock marketplace.

During the year, the department produced 162 sale books, including 44 in the magazine. It also produced 90 brochures and miscellaneous promotional items for producers *taking initiative* to market their seedstock programs.

Special honors

API publications and employees were honored for their excellence in livestock publishing and for their dedication to the industry during the year.

API advertising/production manager Cheryl Oxley was inducted into the LPC Hall of Fame in July. The honor recognizes those who have dedicated their careers to excellence in livestock publishing. During Oxley's 24-year career with API, she has become known for her solid work ethic, dedication and professionalism with both Association members and her peers. The award was presented at the fifth annual Agricultural Publications Summit (APS) in Cleveland, Ohio.

Angie Stump Denton, API Web marketing director, was also recognized at the event. She received the Ed Bible Distinguished Service Award from LPC. This award was established to recognize individuals who exhibit continued dedication to LPC and to recognize committee work, sponsor solicitation, meeting planning, leadership and hard work. Denton was recognized for her outstanding efforts as a mentor to



A summer intern is a welcome addition to API's editorial team each year. Cara Bieroth (right), a native of Mountain City, Nev., and a student at the University of Nevada, Reno, worked closely with the API editorial team to bring news and information to breeders. Bieroth took photographs, edited copy, wrote feature articles and attended Angus shows and events during her three-month internship.

agricultural journalism students, including her role as committee member and chairwoman of the LPC Student Award Committee.

Another LPC honor was bestowed on the API team when Kindra Gordon, API field editor, won the Diamond Award, which denotes the LPC publication writer of the year. The recipient of the award is determined by the ranking of entries the writer enters in the annual LPC critique contest.



Llangollen Farms, Middleburg, Va., was the winner of the 2002 *Angus Journal* Land Stewardship Award. Working to maintain the environmental effort at Llangollen are (from left) Roy and Lila Ash, John and Stephanie Wilkins, Todd Meade and Patrick Wolack. Nominated by the *Angus Journal* for the National Cattlemen's Beef Association Environmental Stewardship Award Program, Llangollen won the Region I nomination and is in contention for the national award, which will be announced in January 2004.

CAB

Celebrates 25 Years

by Deanna Scrimger

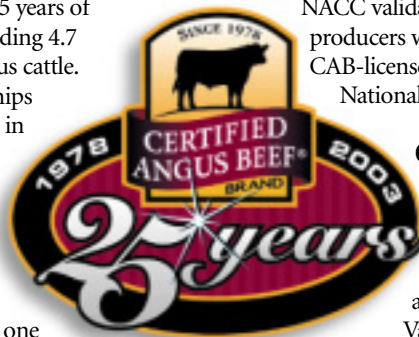
The *Certified Angus Beef*® (CAB®) brand's silver anniversary was marked by a record 582 million pounds (lb.) delivered to consumers worldwide. From the sale of the first pound in 1978 to an August 2003 monthly sales record of 53 million lb., 25 years of brand marketing has accumulated sales exceeding 4.7 billion lb. and has increased demand for Angus cattle.

Thriving consumer demand and partnerships formed throughout the supply chain resulted in additional premiums for Angus producers. A licensed packing plant offered the first-ever premium exclusive to Certified Angus Beef LLC (CAB)-licensed feedlots in December 2002. The premium awards producers \$3 per head for cattle enrolled at a licensed feedlot. Although limited to one plant within one packer, it is an important step to building value for producers and feeders of Angus cattle through the Feedlot-Licensing Program (FLP).

FLP enrollment grew 43%, with more than 250,000 cattle enrolled through at least 80 feedlot partners. Having reached significant volume, focus was placed on maximizing the value of the data collected through the program. The FLP database was evaluated for specific variables that would be useful in helping producers achieve greater CAB acceptance rates. Producers who provide certain source data were offered opportunities to receive free carcass information. The division developed more financial components to data analysis and more user-friendly means of delivery, including data access via the Internet.

The Best of the Breed (BoB) Angus challenge awarded \$244,500 to producers and feeders in early 2003. The contest

sparked many opportunities to promote the 90% CAB acceptance rate among the top three winning pens and served as the platform to launch the 2003 National Angus Carcass Challenge (NACC). The NACC validates the value of Angus genetics and is open to producers who assemble a set of 40 steers or heifers to feed in a CAB-licensed feedlot. Results are to be announced at the 2004 National Western Stock Show (NWSS) in Denver, Colo.



Qualifying for the brand

Overall, the number of Angus-type cattle evaluated for CAB reached 12.5 million, with 2.2 million achieving CAB standards — a 5% increase from the previous year. CAB acceptance rates averaged 17.6% for the year.

Value-added products and CAB Prime continued to be valuable growth outlets and extensions of the core brand. CAB announced plans to evaluate the viability of a CAB natural line as an additional offering to consumers.

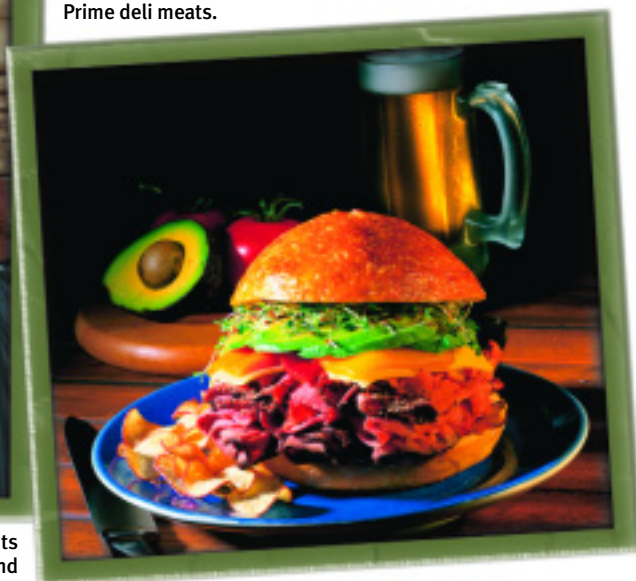
Value-added product sales grew 20%, fueled by the increasing demand for quality beef products in the retail deli case. New product launches included deli flavor profiles and the groundbreaking move into the appetizer category with Advance Food Co.'s cheeseburger fries, a product that is attracting national restaurant interest and media attention.

Levonian Bros. Inc. redefined quality by launching the first deli products made with CAB Prime. Overall, CAB Prime sales increased 135%. The elite product is now available at 46 restaurant locations and 151 retail stores. Giant Eagle Inc., a Pittsburgh, Pa.-based supermarket retailer, expanded its brand offering to include CAB Prime. Launched in November 2002 with 14 stores, the product's success led to an expanded offering at 118 stores.

Wegmans Food Markets Inc., with 64 locations in the New York, N.Y., area, were the first retail stores to offer CAB Prime deli meats.



CAB Corporate Chef Dianna Stoffer and guest chefs from licensed restaurants promoted the brand on the Gourmet Cooking Stage at several Texas Home and Garden shows.



The brand's retail sales remained strong at 294 million lb. Licensed partners discovered growth opportunities in product merchandising. The 75% CAB sales increase posted by New Jersey-based retailer ShopRite Supermarkets Inc. provides a model for other partners. ShopRite expanded its self-service display and merchandised weekly features of CAB directly next to USDA Choice cuts to allow customers the opportunity to "trade up" to the CAB item. Some stores added the brand in the full-service case for the first time. CAB point-of-sale materials and additional advertising supported the product merchandising efforts.

Aggressive distributor licensing during the past three years pushed foodservice sales to 167 million lb., an 8% growth. A strategic growth plan expanded the brand's availability in remote markets such as Montana, as well as added distribution in densely populated areas like New York, N.Y.

Training supports sales efforts

The launch of the computer-based training program ORBIT™ (Official Resource for Branded-Beef Industry Training) for foodservice sales representatives initiated sales growth. The program is designed to reach thousands of sales representatives marketing the brand with product information, sales tips and merchandising ideas. Test case results show an 18% sales increase. Sales representatives scored 95% on the final evaluation and reported increased confidence to present the brand and marketing opportunities to restaurant customers.

The training program is part of an initiative to increase the education and confidence of brand marketers at all levels. Future emphasis will be placed on educational efforts for restaurant and retail store personnel.

Recovering sales in Japan, growth in Mexico and developing markets increased international sales 20%. Sales in the leading international market, Japan, returned to levels prior to Japan's finding of bovine spongiform encephalopathy (BSE). The brand opened its first international office in Tokyo to increase licensee support and expand growth opportunities in the region.

Sales in Mexico were up 28%. Prestigious restaurants, Planet Hollywood and Hard Rock Café, began offering the brand at their Mexican locations. Developing markets in China and Saipan both grew by 75%.

Despite the identification of a single BSE case in Canada, the brand's sales remained steady. Consumer confidence in beef remained strong. However, limited availability of Canadian-produced end meats restricted retailers' product-featuring ability.

Promoting the brand

The brand's quest to become a household name synonymous with top quality elevated to new heights. The "Mouthwatering would be



Licensees in target markets and across the world converted their trucks into roving billboards featuring the brand's "mouthwatering" campaign.

an understatement" campaign launched in 2002 served as the advertising core of an extensive target market campaign in Dallas, Texas, and Saint Louis, Mo.

The target market strategy combines advertising, consumer events and public relations efforts into a tidal wave of branding. Beyond advertising, direct mail sheets featuring value-added products drove consumers to local grocer Schnucks Markets in Saint Louis, Mo. The campaign hit the streets in Dallas, Texas, when Freedman Food Service wrapped 35 trucks with the billboard images. These trucks are used for daily deliveries in Dallas, Houston and San Antonio.

Event involvement is a critical element to build layers of consumer impressions. When CAB sponsored the Saint Louis Culinary Classic Competition at the opening of an area shopping mall, consumers sampled exquisite CAB entrées prepared by top chefs. Maximum impact was created with a chef appearance on the morning television FOX newscast. Print and online event coverage generated more than 400,000 additional consumer impressions. The media coverage not only reached more consumers, it provided third-party credibility that advertising alone cannot deliver.

Additional flagship event sponsorship included Saint Louis Cardinals' games and several Texas Home and Garden shows.

A trade-level advertising campaign focused on differentiating the brand from competing Angus brands. The campaign hit leading foodservice and retail industry publications with the goal of attracting new customers and continually driving home the 25-year heritage of quality and consistency that the brand delivers.

ANGUS FOUNDATION

Charts a New Course

The Angus Foundation continues to provide opportunities for Angus youth and to support the education and research efforts that benefit the members of the American Angus Association.

The Angus Foundation was established in 1980 as a 501(c)(3) organization, with the purpose of supporting youth, education and research related to agriculture. Today the initiative and generosity of Angus breeders and other friends of the breed have allowed the Foundation to increase scholarships and support more special projects throughout the year. With more than \$1.5 million in assets, the Angus Foundation is charting a new course that will benefit both juniors and adults as well as the Angus industry of tomorrow.

The Angus Foundation Board of Directors met for a strategic planning session in June to focus on what role the Angus Foundation plays in the Angus business and how it can benefit the breed in the future. The session resulted in the establishment of future priority areas, including funding scholarships for members of the National Junior Angus Association (NJAA) and children of American Angus Association members, hosting educational seminars and conferences for both junior members and for the Angus industry, and funding scientific research that will impact the Angus business.

Awarding college scholarships to Angus youth is still one of the biggest annual projects of the Foundation. In fiscal year (FY) 2003, the Foundation increased general scholarship awards from \$20,000 to \$25,000. At the 2003 NJAS, two junior members were awarded \$3,500 scholarships, and 18 were awarded \$1,000 scholarships.

The Angus Foundation also awarded an additional \$16,000 in scholarships to Angus

youth in cooperation with various state Angus associations and other individuals during the year.

Throughout the years, the Angus Foundation and American Angus Auxiliary have had one thing in common — supporting

Angus youth. This year, these two organizations joined together to secure financial support for years to come.

The American Angus Auxiliary donated \$169,525 to the Foundation as an endowment to support the 10 scholarships awarded annually by the Auxiliary. Although the funding of these awards is now handled by the Foundation, the application and selection procedures remain with the Auxiliary.

The Foundation's largest annual fundraiser continues to be the sale of the Angus Foundation Heifer Package, which takes place at the National Western Stock Show (NWSS) each January in Denver, Colo. Whitestone Farm, Aldie, Va., donated Eila Eila 755P of Whitestone to highlight the package, which sold for

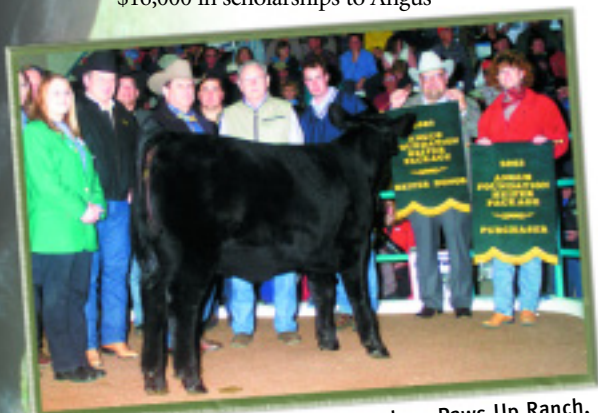
\$40,000. Buyers included Paws Up Angus Ranch, Greenough, Mont.; Edwards Angus Ranch, Denton, Mont.; Three Trees Ranch Inc., Sharpsburg, Ga.; Express Ranches, Shawnee, Okla.; Limestone LLC, Perkins, Okla.; and Rolling RRR Ranch LLC, Edmond, Okla.

The Angus Foundation Golf Tournament, which is scheduled in conjunction with the NJAS, gave Angus breeders a chance to strut their stuff on the greens and fairways. About 50 golfers participated in this year's tournament, which raised nearly \$9,000 for the Foundation. Generous sponsors helped make the event a success and provided prizes for the winning teams and players.

As the hopes and dreams of the Foundation continue to grow, so do the staffing needs for managing Foundation activities and establishing relationships with current and potential donors. In September the American Angus Association Board of Directors approved funding for a full-time person to work with the Foundation and its activities, reaching a new milestone for the organization.



In July the Angus Foundation offered 1,000 signed-and-numbered prints of Frank Murphy's "In Apple Blossom Time" oil-on-canvas painting to individuals who made a \$100 donation to the organization.



Edwards Angus Ranch, Express Ranches, Paws Up Ranch, Three Trees Ranch Inc., Limestone LLC and Rolling RRR Ranch LLC purchased the 2003 Angus Foundation Heifer Package. The female that headlined the package was donated by Whitestone Farm, Aldie, Va. The sale of the package is the Foundation's largest annual fund-raiser.

2003 Angus Foundation Scholarship Recipients

\$3,500 scholarship winners

Joanna Olson, Hereford, Texas
Jake Tiedeman, North Platte, Neb.

\$1,000 scholarship winners

Callie Birdsell, Sparta, N.C.
Chelsea Frost, Tallula, Ill.
Zebadiah Gray, Toledo, Iowa
Cortney Hill-Dukehart, Sykesville, Md.
Karl Holshouser, Gold Hill, N.C.
Joshua Jackson, Salvisa, Ky.
Justin Jackson, Salvisa, Ky.

Trever Kuipers, Onarga, Ill.
Jarrett Martin, Lavaca, Ark.
Emily McCurry, Burrton, Kan.
Landi McFarland, Ellston, Iowa
Chelsea Moffitt, Kirksville, Mo.
Wravenna Phipps, Kearney, Neb.
Wrex Phipps, Kearney, Neb.
Emily Pohlman, Norfolk, Neb.
Jeana Sankey, Council Grove, Kan.
Kristi Wilson, Orleans, Ind.
Amy Wolfrey, Frederick, Md.

Consolidated FINANCIAL STATEMENTS

Independent Auditor's Report

Board of Directors
American Angus Association
Saint Joseph, Mo.

We have audited the accompanying consolidated statements of financial position of American Angus Association and its subsidiaries as of September 30, 2003 and 2002, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Angus Association and its subsidiaries as of September 30, 2003 and 2002, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Clifton Gunderson LLP

Saint Joseph, Mo.
October 14, 2003

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2003 and 2002

	ASSETS	
	<u>2003</u>	<u>2002</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,035,212	\$ 2,517,585
Accounts receivable	2,170,529	2,259,439
Interest receivable	35,896	37,000
Inventories	779,516	413,480
Prepaid expenses	371,594	200,851
Total current assets	<u>5,392,747</u>	<u>5,428,355</u>
INVESTMENTS	12,168,703	10,180,541
PROPERTY & EQUIPMENT		
Buildings & land improvements	3,337,926	3,337,926
Furniture, fixtures & equipment	2,195,892	2,038,550
Electronic data processing equipment	4,461,584	4,311,228
Total, at cost	9,995,402	9,687,704
Less accumulated depreciation	5,596,276	5,022,875
Total property & equipment	<u>4,399,126</u>	<u>4,664,829</u>
TOTAL ASSETS	<u>\$21,960,576</u>	<u>\$20,273,725</u>
	LIABILITIES & NET ASSETS	
	<u>2003</u>	<u>2002</u>
CURRENT LIABILITIES		
Accounts payable	\$ 937,347	\$ 534,076
Current maturities of notes payable to bank	-	159,631
Accrued liabilities	463,314	409,807
Deferred income	654,804	627,390
Total current liabilities	<u>2,055,465</u>	<u>1,730,904</u>
LONG-TERM LIABILITIES		
Notes payable to bank, less current maturities above	-	259,879
Deferred compensation	256,149	184,042
Accrued postretirement benefits	626,711	521,659
Olympic sponsorship	125,405	-
Total long-term liabilities	<u>1,008,265</u>	<u>965,580</u>
Total liabilities	<u>3,063,730</u>	<u>2,696,484</u>
NET ASSETS		
Unrestricted	18,886,846	17,567,241
Permanently restricted	10,000	10,000
Total net assets	<u>18,896,846</u>	<u>17,577,241</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$21,960,576</u>	<u>\$20,273,725</u>

These consolidated financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated FINANCIAL STATEMENTS

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended September 30, 2003 and 2002

	2003	2002
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues, gains & other support:		
Royalties	\$12,641,215	\$10,803,004
Advertising income	4,199,640	4,180,526
Registrations	3,499,969	3,472,337
Transfers	971,777	953,375
Artificial insemination certificates	1,191,990	1,194,013
Memberships	592,583	561,712
Performance programs	950,940	916,790
Web site revenue	210,846	198,722
Subscriptions	842,342	875,866
Contributions	223,572	104,688
Account and merchandise sales	611,567	639,245
Support fees	477,783	389,410
Other income	140,902	297,548
Investment income	45,986	165,079
Total revenues, gains & other support	<u>26,601,112</u>	<u>24,752,315</u>
EXPENSES		
Program Services:		
Certified Angus Beef LLC	12,710,819	10,632,536
Angus Productions Inc.	5,133,736	5,130,167
Member services	1,804,004	1,838,925
Angus Information		
Management Software	428,123	426,128
Performance programs	1,565,463	1,528,474
Commercial relations	264,182	243,103
Communications & public relations	1,484,296	1,349,024
Field services	779,956	541,749
Activities	1,063,131	1,096,186
Angus Foundation	217,961	170,113
Total expenses	<u>25,451,671</u>	<u>22,956,405</u>
Changes in net assets before postretirement benefit expense, net unrealized gain (loss) on investments and income taxes	1,149,441	1,795,910
POSTRETIREMENT BENEFIT EXPENSE	(115,509)	2,751
NET UNREALIZED GAIN (LOSS) ON INVESTMENTS	318,613	(191,324)
Changes in net assets before income taxes	1,352,545	1,607,337
PROVISION FOR INCOME TAXES	32,940	25,355
CHANGES IN UNRESTRICTED NET ASSETS	1,319,605	1,581,982
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	-	-
CHANGES IN NET ASSETS	1,319,605	1,581,982
NET ASSETS, BEGINNING OF YEAR	<u>17,577,241</u>	<u>15,995,259</u>
NET ASSETS, END OF YEAR	<u>\$18,896,846</u>	<u>\$17,577,241</u>

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,319,605	\$ 1,581,982
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation	817,208	836,530
Loss on sale of equipment	8,647	8,353
Net realized loss on investments	210,251	110,793
Net unrealized (gain) loss on investments	(318,613)	191,324
Net effect of changes in operating assets and liabilities:		
Accounts and interest receivable	90,014	(184,866)
Accounts payable	403,271	291,340
Inventories	(366,036)	(76,291)
Prepaid expenses	(170,743)	49,458
Prepaid income taxes	-	14,255
Accrued liabilities, deferred income, deferred compensation and postretirement benefits	383,485	(823,057)
Net cash provided by operating activities	<u>2,377,089</u>	<u>1,999,821</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	24,126	24,113
Proceeds from sale of investments	6,792,028	4,385,234
Purchases of property and equipment	(584,278)	(373,756)
Purchases of investments	(8,671,828)	(4,642,374)
Net cash used in investing activities	<u>(2,439,952)</u>	<u>(606,783)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(419,510)	(154,010)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(482,373)	1,239,028
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,517,585</u>	<u>1,278,557</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,035,212</u>	<u>\$ 2,517,585</u>

These consolidated financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated FINANCIAL STATEMENTS

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

September 30, 2003 and 2002

American Angus Association (the Association) is a not-for-profit organization incorporated in the State of Illinois in 1883. The Association's principal activities include maintaining pedigree and performance information, and the promotion of the Angus breed for its members, a majority of whom are located throughout the United States. These consolidated financial statements include the Association's wholly-owned subsidiary Angus Productions Inc., a for-profit corporation incorporated on May 11, 1979, in the State of Illinois. The subsidiary's principal activities are publishing the *Angus Journal*, a magazine for the Angus industry, and other related business activities. The consolidated financial statements also include Angus Foundation and Certified Angus Beef LLC. The Association has controlling financial interest in the Foundation and Certified Angus Beef LLC, including a majority voting interest in their Boards of Directors. The Foundation is a not-for-profit organization incorporated in the State of Illinois in 1980. The Foundation's principal activities are to develop, assist and sponsor educational programs and scientific research on topics related to agriculture. Certified Angus Beef LLC was incorporated in the State of Delaware in 2000. The Company's principal business activity is to operate the Certified Angus Beef Program, and thereby promote the breed of Angus cattle by increasing the demand for registered Angus seedstock in the commercial beef industry. All material intercompany accounts and transactions are eliminated in the consolidation process. Significant accounting policies followed by the Association and its subsidiaries are presented below.

Use of estimates in preparing financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Net assets

Basis of presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards No. 117, *Financial Statements of Not-for-profit Organizations*. Under SFAS-117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

Unrestricted. Unrestricted net assets include all net assets that are neither temporarily nor permanently restricted.

Temporarily restricted. Temporarily restricted net assets include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted. The Association has no temporarily restricted net assets.

Permanently restricted. Permanently restricted net assets include contributed net assets, which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents

include cash on hand, amounts due from banks, mutual funds, short-term discount notes, and money market accounts with an initial maturity date of three months or less.

Accounts receivable

A significant portion of the receivables are for royalty income paid by meat packers for the sale of Certified Angus Beef LLC product. The receivable is based on royalty estimates derived from unreported sales based on historical sales information.

All other accounts receivable are uncollateralized customer obligations, which generally require payment within thirty days from the invoice date. Accounts receivable are stated at the invoice amount. Interest may be charged on past-due balances.

Account balances with invoices over thirty days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of accounts receivable has been reduced for delinquent accounts and estimated uncollectable invoices. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the organization could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to bad debt expense.

Inventories

Inventories consist primarily of promotional, educational and support items. Inventories are stated at the "lower of cost or market value" with cost being determined on the "first-in, first-out" (FIFO) basis of accounting.

Investments

Investments include U.S. government and other governmental agency securities, mutual funds, corporate stocks, certificates of deposit and money market accounts. Investments in U.S. government and other governmental agency securities, mutual funds and corporate stocks are carried at fair value with unrealized and realized gains and losses on investments reported as an increase or decrease in unrestricted net assets. Certificates of deposit and money market accounts are carried at cost.

Property and equipment

Property and equipment is depreciated on the straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	7-20 years
Buildings and building improvements	10-50 years
Office furniture, fixtures and equipment	5-10 years
Electronic data processing equipment	5-10 years

Included in office furniture, fixtures and equipment are vehicles used by regional managers. These vehicles are depreciated using estimated cost per mile driven for each vehicle.

Advertising and subscription revenue

Advertising revenue is recognized as income when the magazine issue is published to which the revenue is related. Revenue from magazine subscriptions is recognized proportionately over the life of the subscription.

Consolidated FINANCIAL STATEMENTS

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

September 30, 2003 and 2002

Advertising costs

The Association expenses advertising costs as incurred.

Postretirement benefits

The Company provides certain health care benefits for retired employees who meet eligibility requirements. The Company's share of the estimated costs of benefits that will be paid after retirement is generally being accrued by charges to expense over the employees' service periods to the dates they are eligible for benefits.

Income taxes

The Association and Certified Angus Beef LLC are not-for-profit organizations exempt from income taxes under section 501(c)(5) of the U.S. Internal Revenue Code. The Angus Foundation is exempt from income taxes under section 501(c)(3). Angus Productions Inc. is not a tax-exempt organization.

Description of programs

The Association operates the following programs:

Certified Angus Beef LLC. Certified Angus Beef LLC administers the national branded beef program with the goal of improving demand for registered Angus bulls.

Angus Productions Inc. Angus Productions Inc. publishes the *Angus Journal*, the official publication of the American Angus Association; publishes other materials; and provides services in support of the Angus industry.

Member Services. The member services department maintains membership records and pedigree records of registered Angus cattle.

Angus Information Management Software. The Angus Information Management Software (AIMS) department develops, maintains and distributes the Angus Information Management Software used by members to maintain records on their Angus herds.

Performance Programs. The performance programs department provides genetic information to members by processing animal birth, weaning and yearling weights and other information useful in genetic evaluation of beef cattle.

Commercial Programs. The commercial programs department coordinates the Association's current work with commercial operations, as well as the development of new programs to assist commercial beef cattle producers using Angus genetics.

Communications and Public Relations. The communications and public relations department provides national advertising and national public relations programs, and member information and education programs.

Field Services. The field services department provides field service to members by attending Angus events and working with members and commercial cattle producers.

Activities. The activities department supports the national junior activities program, provides show premiums and attends Angus shows and events.

Angus Foundation. The Angus Foundation develops, assists and sponsors educational programs and scientific research on topics related to agriculture.

Functional allocation of expenses

The indirect functional costs of providing the various programs and activities of the Association have been allocated amongst those programs according to allocation principles believed to be most representative by management of the actual efforts required by those programs. Program expenses include both these allocated costs and the direct costs of providing each program.

This information is an integral part of the accompanying consolidated financial statements.

Consolidated FINANCIAL STATEMENTS

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2003 and 2002

NOTE 1—Investments

The following is a summary of investments held at Sept. 30, 2003 and 2002.

	2003	2002
U.S. government and other governmental agency securities	\$2,528,052	\$3,479,868
Mutual funds	1,650,077	1,028,214
Equity securities	3,952,636	3,142,658
Certificates of deposit	3,300,794	1,313,837
Money market accounts	737,144	1,215,964
Total investments	<u>\$12,168,703</u>	<u>\$10,180,541</u>

Investment returns for the years ended Sept. 30, 2003 and 2002, consist of the following:

	2003	2002
Investment income	\$287,793	\$320,032
Net realized loss	(210,251)	(110,793)
Net unrealized gain (loss)	318,613	(191,324)
Management fees	(31,556)	(44,160)
Total investment gain (deficit)	<u>\$364,599</u>	<u>\$ (26,245)</u>

NOTE 2—Pension and postretirement benefit plans

The Association sponsors a qualified noncontributory defined contribution plan, which covers substantially all full-time eligible employees. Contributions are established by the Board of Directors and are purely discretionary. Contributions to the Plan are based upon eligible employee salaries and years of service. During fiscal years ended 2003 and 2002, the Association contributed \$545,645 and \$461,136, respectively.

During the fiscal year ended September 30, 1997, the Plan was amended to include a supplemental savings and retirement plan qualified under Section 401(k) of the Internal Revenue Code. Eligible employees may contribute a percentage of their eligible salary subject to federal statutory limits.

The Association has deferred compensation plans for several key employees. Under these plans, the participants may elect to defer receipts per sections 457(e)(15) and 415(d) of the Internal Revenue Code of 1986. The deferred compensation of the participants is held in trust and administered by an outside entity. The participants are always fully vested in their contributions. Upon early retirement or other termination of employment, the participant has the option to be paid their account no later than January 31 after the end of the plan year or to take payment in equal annual installments, the last of which shall be no later than five years. The Association may vary payments at its discretion.

The amounts held in trust for each participant are subject to the claims of the general creditors of American Angus Association and its subsidiaries. The net annual amount recorded as deferred compensation was \$38,000 in 2003 and \$36,000 in 2002. Amounts are invested with a trustee, and are recorded on the Association's records as an investment and a matching long-term liability in the amounts of \$256,149 in 2003 and \$184,042 in 2002.

During the fiscal year ended September 30, 2001, the Board of directors approved a plan obligating the Association to provide supplemental health care benefits to employees who meet certain years of service requirements. This benefit is to be funded from the general assets of the Association as they are incurred. The following is information about the benefit obligation and assumptions related to this benefit plan as of September 30:

	2003	2002
Benefit obligation-net	<u>\$ 637,466</u>	<u>\$ 527,000</u>
Accrued benefit cost:		
Current liability	\$ 10,755	\$ 5,341
Long-term liability	626,711	521,659
Total	<u>\$ 637,466</u>	<u>\$ 527,000</u>
Benefits expense (includes benefits of \$5,043 and \$5,245 for the years ending September 30, 2003 and 2002, respectively)	<u>\$ 115,509</u>	<u>\$ (2,751)</u>
Weighted average assumptions:		
Discount rate	6%	6%
Expected return on plan assets	8%	8%

NOTE 3—Notes payable to bank

Notes payable to bank consist of the following:

	2003	2002
Note payable to bank	\$ —	\$ 419,510
Less current portion	—	159,631
Long-term portion	<u>\$ —</u>	<u>\$ 259,879</u>

Total interest expense was \$4,758 and \$17,961 in 2003 and 2002, respectively.

NOTE 4—Provision for income taxes

The provision for income taxes related to the wholly-owned subsidiary Angus Productions Inc. consists of the following elements at September 30.

	2003	2002
Federal income tax	\$27,322	\$20,166
State income tax	5,618	5,189
Total provision for income taxes	<u>\$32,940</u>	<u>\$25,355</u>

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AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2003 and 2002

NOTE 5—Board-designated and permanent restrictions

Included in unrestricted net assets are the following Board designations:

	<u>2003</u>	<u>2002</u>
Research for breed improvements	\$390,557	\$205,000
Information systems	1,062,362	516,387
Supplemental health benefits	601,849	414,153
Youth and education programs	429,687	150,407
Donor relations	197,679	—
Total Board designations	<u>\$2,682,134</u>	<u>\$1,285,947</u>

Permanently restricted net assets represent an endowment totaling \$10,000 for both 2003 and 2002, the income from which is expendable to support the Angus Foundation.

NOTE 6—Royalties

Royalties, net of rebates, consist of revenues from Certified Angus Beef LLC. Royalties from two customers represented 31% and 30% of the Association's total revenues, gain, and other support for the years ending September 30, 2003 and 2002, respectively.

NOTE 7—General and administrative expenses

General and administrative expenses were \$2,755,646 and \$2,794,386 in 2003 and 2002, respectively. These expenses were allocated to program services based on allocation formulas believed by management to be representative of the actual efforts required by each program.

NOTE 8—Advertising

Advertising expense for the years ended September 30, 2003 and 2002 totaled \$2,997,550 and \$2,013,742, respectively.

NOTE 9—Supplemental cash flow disclosures

Cash paid for interest was \$4,758 and \$17,961 in 2003 and 2002, respectively. Cash paid for income taxes was \$26,300 and \$9,982 in 2003 and 2002, respectively.

NOTE 10—Commitment

Certified Angus Beef LLC was the Official Branded Beef Supplier of the 2002 Winter Olympic Games and a team supplier through 2004. The balance of this commitment is \$178,563 to provide in-kind product through December 31, 2004. An additional liability of \$125,405 represents the commitment that is not expected to be exhausted through the in-kind payments.

NOTE 11—Contingencies

Association management is in the process of preparing a comprehensive assessment of its consolidated approach to state taxes, including identification of states where the Association is unregistered but may have a sales, use, or income tax liability. Management is in the preliminary stages of this investigation and, although it believes that some exposure is probable, it cannot as yet make an estimate of any potential liability.

This information is an integral part of the accompanying consolidated financial statements.

