

Board Action

Highlights of the Feb. 26-28, 2003, meeting of the American Angus Association Board of Directors

Pursuant to notice, the February meeting of the American Angus Association Board of Directors was held in the boardroom of the American Angus Association, Saint Joseph, Mo., on Feb. 26-28, 2003. The following officers and directors were present: Steve Brooks, president; Joe Elliott, vice president; Keith Arntzen, treasurer; Leo Baker; Gregg Blythe; Minnie Lou Bradley; Bill Davis; Ben Eggers; Mark Gardiner; Jot Hartley; Paul Hill; Jay King; Abbie Nelson; Robert "Bob" Schlutz; John Schurr; Dave Smith; and Richard "Dick" Tokach.

ACTIVITIES COMMITTEE

The committee approved a request for Roll of Victory (ROV) status for the Arizona National Show, starting with the 2004-2005 show year. The California State Fair will not be an ROV show in 2004-2005.

The classifications for the cow-calf classes as recognized by the Association and in the Association's Standard Classifications were changed. Under the new ruling, any female that is eligible to be shown in the female classes under the standard classifications will not be eligible to show in the cow-calf classes.

The 2003-2004 National Angus Show will be held in Denver, Colo., January 2004.

The measurements taken at the 2004 National Western Stock Show (NWSS) will be the same as in 2003, including:

- ▶ scrotal on the bulls;
- ▶ rump fat, rib fat and weights on all animals being shown; and
- ▶ hip height only on the sale bulls.

A motion was approved to require a semen check on all bulls entered in the National Western Angus Bull Sale that are older than those in the calf division.

The committee discussed the change in the 2002 North American International Livestock Exposition (NAILE) schedule. In general it was felt that the change to the schedule to show cow-calf pairs and bulls on Monday and the females on Tuesday worked extremely well.

A committee will be appointed to study the hosting requirements and procedures for the National Junior Angus Show (NJAS).



FINANCE COMMITTEE

The Finance Committee reviewed the financial reports for the four-month period ending Jan. 31, 2003. The cash balance on the consolidated financial report is \$3,236,000. The investment portfolio of \$11,000,000 consists of government and agency notes, money market accounts, bank certificates of deposit, bond mutual funds, and stocks managed by Chase Investment Counsel Corp. The total of all assets is \$21,406,000. Long-term debt includes \$522,000 for accrued health benefits for retired employees and \$162,000 for the deferred compensation liability. The debt relating to the real estate loan for Certified Angus Beef LLC (CAB) has been retired. The net income for the period is \$1,804,000.

The Finance Committee reviewed the Association's investment portfolio, including a discussion of investment policy, account balances, activity in the various funds, performance of the funds, diversification of the funds in equity and fixed income balances, and management of the funds.

The Finance Committee increased the research fund by \$200,000 to a maximum balance of \$400,000.

The Finance Committee discussed the diversification of the Association's reserve account in equities and fixed income securities. Parameters for diversification of investments between fixed income and equity securities for the combined balances of the general fund, Information Systems (IS) fund and research

funds were established to range from 25% to 60% fixed income and 40% to 75% equities.

The Finance Committee also discussed diversifying the investment portfolio by using additional money managers or mutual funds to manage the assets in the portfolio. The Committee noted the success of our current investment policy regarding management of the assets in the portfolio. In the current environment, the interest rate risk is high in fixed income managed funds. It was also noted the current manager of the equity portion of the portfolio incorporates valuation in the selection of growth stocks. There were no changes made by the Committee at this time in the policy regarding the management of the investment portfolio.

The Finance Committee discussed a letter from the Missouri Angus Association requesting that the American Angus Association assist in revenue collection. Because of Association revenue and administrative considerations, the Committee respectfully declined to participate.

Gary Frazier, Clifton Gunderson LLP, addressed the Committee, stating that the Finance Committee is successfully addressing its fiduciary responsibilities as caretakers of the Association's assets. He responded to questions from the Committee discussing recent legislation relating to fiduciary responsibilities of Directors.

PUBLIC RELATIONS COMMITTEE

The Public Relations Committee discussed various breed and industry publications and how they recognize the Association for contributed photos and editorial.

A preliminary schedule for the 2003 National Angus Conference was distributed. The event is set for Sept. 24-27, 2003, in Mandan, N.D. The theme will be "Take Initiative." Boehringer Ingelheim Vetmedica, Inc., is the major sponsor for the event.

CONTINUED ON PAGE 68

BOARD ACTION

CONTINUED FROM PAGE 66

The "Angus Leaders' Boot Camp" is set for June 5-6, 2003, in Saint Joseph, Mo., and will be attended by state, regional and local Angus association representatives. Purina Mills



has agreed to be the sponsor for the event.

Staff reported on the Association's participation in the 2003 Cattle Industry Annual Convention and Trade Show in Nashville, Tenn. The Association shared a booth with CAB.

The Communications and Public Relations Department received 11 applications from students for the summer internship position. Four students will be interviewed.

Staff distributed a special Angus insert produced by the *High Plains Journal*. The Association placed the back cover ad and provided the editorial and photographs that were used throughout the insert.

Staff gave an update on the 2002-2003 national advertising campaign. Chairman Hartley requested that all committee members receive the 2002-2003 media schedule for review.

The National Agricultural Marketing Association (NAMA) recognized the Association at the Region 2 Best of NAMA awards with three first-place entries, one merit award and the overall "Best of Show" award. Both print and radio advertising projects were among the winners. The committee expressed its gratitude and appreciation to the staff for developing the award-winning campaign.

Advertorial inserts for national and regional promotions were distributed. Radio spots delivering national and regional messages were reviewed. Radio advertising was placed on networks and stations in Texas, Oklahoma, Missouri, Nebraska, South Dakota, Montana, Wyoming and Kansas.

The Black Hide campaigns from the past two years were reviewed, starting a discussion of elements and messages to include in the 2003-2004 national advertising campaign. Key points include:

- ▶ efficiency in the feedyard and in females;

- ▶ promotion of crossbreeding and heterosis by competing breeds;
- ▶ value and marketability of straightbred Angus replacement females;
- ▶ communicating to producers with 50 head or fewer;
- ▶ communicating with Association members;
- ▶ considering messages/statements in other breed ads;
- ▶ positioning the American Angus Association as the industry leader, service-oriented, success of breed;
- ▶ focusing on value of registered Angus bulls, pedigree and performance;
- ▶ bulls, females, CAB and Beef Record Service (BRS) — all good messages to continue; and
- ▶ continuing targeted messages to Southern states also needs to be considered.

This input will be used to develop a new ad series with the Black Hide campaign serving as the anchor. Staff plans to do focus group research on headlines and the overall messages.



The Breed Improvement Committee reviewed the summary of a project to examine the potential of adjusting weights on earlier weaned calves (expanding the current acceptable age window by changing the 160-day minimum age to 120 days), while also exploring new adjustment methods to determine adjusted 205-day weights. The results of the initial data analyzed would indicate that a nonlinear-adjustment formula could be used to include the earlier weaned calves in the National Cattle Evaluation (NCE) procedures, while also better describing the adjusted 205-day weights for both the younger and older calves. Further analysis will include running NCE using the new adjustment formulas while also including the data on calves weaned between 120 and 160 days of age.

A potential project at Iowa State University (ISU) involving an attempt to determine the extent to which there is a



genetic resistance to pinkeye in beef cattle was discussed. A request was made to the American Angus Association to aid in the recruitment of breeders to assist in the collection of field records to be used as research data for the project.

An update on the National Beef Cattle Evaluation Consortium was given. The consortium is going into its third year of funding through a U.S. Department of Agriculture (USDA) Special Grant. The tentative funding level for the upcoming fiscal year (FY) is at \$672,000, an increase over previous year funding levels, but far short of what is needed to enable the consortium to move beef cattle genetic evaluation forward at a competitive pace. The increased funding will allow for a few new initiatives to be started this year.

The committee reviewed a project to formulate a feedlot performance index expressed in a dollar-per-head value to quantify the expected economic differences in progeny feedlot performance. A follow-up proposal was then outlined to construct a carcass value index that would represent the average dollar-per-head difference in progeny carcass value. The carcass value index would be compatible with the feedlot performance index and would offer a bio-economic index for combined feedlot and carcass performance.



Fifty-three thousand EPD (expected progeny difference) updates were mailed to Angus affiliates on Jan. 17, 2003. The committee recommended a continuance of this annual update, but discussed sending the mailing to customers purchasing two or more bulls in the past two years, which would cut the number mailed by roughly 50%. Staff will analyze these options and report to the Board in June.

After a makeover last summer, AngusSource saw increased use by both buyers and sellers of Angus-influenced feeder cattle and replacement females. A limited number of Association members have listed groups of their customers' cattle on the new



CONTINUED ON PAGE 70

“seedstock producer-dedicated site,” but all are encouraged to use this customer-service tool, accessible by way of Member Logon.

The BRS continues to see growth, and as of Feb. 1, 2003, 120 herds had enrolled 10,062

dams, and 2,100 weaning weights had been submitted for FY 2003.

Because of the many shared traits and data processing duties between the Angus Herd

Improvement Records (AHIR) and BRS programs, committee members discussed the possibility of bringing the data processing duties of BRS into the Performance Programs Department. This would give Commercial Programs staff more opportunity to market programs to potential users and to capitalize on efficiencies of data entry and program enhancement. This option will be discussed during the Board’s long-range planning session.

Corporate sponsorship dollars continue to be obtained for various Association programs and events. Boehringer Ingelheim Vetmedica, Inc., has agreed to sponsor the 2003 National Angus Conference and Tour. Purina Mills will sponsor “Angus Leaders’ Boot Camp.” BioZyme will again sponsor the 2004 BRS “Blackbook” pocket calendar.

With the recent increase in discussions about country-of-origin labeling (COOL), progress toward a voluntary, standardized program for tracking individual animal identification (ID) has been slowed almost to a standstill. COOL, an initiative that was called for by a number of livestock producers, has become a hotly contested issue after the USDA released its interpretation of the legislation. Members of the committee commented that their interpretation of the COOL program makes it nearly impossible to implement without a national ID program, and most see this as impossible to accomplish by September 2004, the effective date of the mandatory COOL program.

Current regulatory and marketing trends suggest the need for a simple, effective program for commercial producers to verify the origin and genetics of their marketed animals. Several sophisticated programs are currently on the market for this purpose, but it appears that a simpler program is required to command widespread use in the industry. To fill this need, a source-verification program for Angus-sired calves will be developed in the coming months.

MEMBER SERVICES COMMITTEE

Lou Ann Adams reported on current projects for the IS Department. One major project has been the programming for the DNA lab transition from Ohio State University (OSU) to MMI Genomics Inc. Another project is adding the ability to report breeding information in AHIR. This programming includes the capability for breeders to report breeding information through Member Logon, to report on paper or to send an export file through the AIMS software once the next AIMS upgrade is released.

Some of the enhancements to the Web site include an online ordering system for the PR department’s educational and promotional literature, which is available in limited quantities to both members and nonmembers. An “Age in Days” calculator was added to the Web site to fulfill a number of requests from breeders for this service. Junior members of the Association can now fill out show entry forms online instead of filling out and mailing in the paper forms. A feature to purchase online Angus performance pedigrees (APP) was added to the Web site. More than 2,600 online APPs have been sold since November at a cost of \$2 each.

The committee discussed a Board member’s request to broaden the criteria for which animals’ EPDs should be included in an electronic EPD update request. Staff was directed to research any problems or costs associated with the addition of EPDs of animals whose first owner is the member submitting the request.

Bryce Schumann reported on the transition of the DNA Laboratory from the Animal Genetics Laboratory at OSU to MMI Genomics. All of the DNA types received from the Animal Genetics Laboratory have been transferred electronically to MMI for reference in the Association’s parent-verification program. Samples received by Animal Genetics Laboratory after Jan. 1, 2003, have been and will continue to be forwarded to MMI for testing. The Association is receiving DNA types weekly from MMI and mailing results to the members. OSU is routinely transferring needed stored samples to MMI upon the Association’s request. Schumann

thanked the IS Department and Janice Blair for their hard work and proficiency in making this transition to electronic reports and electronic storage of DNA types in such a short time frame.

James Reecy of ISU reported on the investigation of DNA tests for identification of Class 1 genetic defects. A discussion on dwarfism phenotypes was held. Reecy described the results of completed DNA tests related to the mutation causing dwarfism in Japanese Brown cattle and the ongoing genotyping for additional genes.

Following discussion by the Board, a decision was made to fund a research project to complete a low-resolution, whole genome scan entailing a genotyping with known microsatellite markers.

Schumann reviewed the current definition of “immediate family” pertaining to the Section VII Artificial Insemination (AI) Rule 2 (b) Definitions. The rule states, “A ‘member of the immediate family’ means and is limited to the husband, wife, sons and daughters, mothers and fathers of the owner(s) of record of the sire.” Discussion on the current definition followed, and no action was taken.

CERTIFIED ANGUS BEEF LLC

Jim Riemann reported on recent staff changes and the hiring of Mark Spengler to fill the Director, International, position. He updated the Board on the successful Specialist Seminar held in January and the selection of John Landry as Specialist of the Year.

Riemann shared that we have recently experienced increased commitment from several packers to grow their *Certified Angus Beef*® (CAB®) brand sales, and we are working very hard to support them in their efforts. He shared highlights of recent marketing successes with value-added products and new licensees joining the program.

Richard Wilson and Brent Eichar presented the financial reports for the period ending Jan. 31, 2003. Wilson shared that revenue was approximately 14% ahead of a year ago and just slightly below budget (due to the linear method of calculating the



BOARD ACTION

CONTINUED FROM PAGE 70

budget numbers). Expenses are currently 24% below budget, but, as Eichar shared, this is primarily a timing issue in purchasing the consumer advertising and the implementation schedule of the various licensee incentive programs. In conclusion, they reported that the loan on the CAB Executive Offices has been paid off.

Under old business, Larry Corah presented a status report of the DNA project and the commercialization steps being taken.

Under new business, Deb Leonard reported on recent marketing activities, as well as on the philosophy behind the decisions. She shared the recent public relations activities that had resulted in millions of consumer impressions. Leonard presented examples of the consumer advertising, along with the trade ads and samples of the new sales materials.

Eichar presented an update on sales numbers. During the first four months of the fiscal year, identified and certified cattle numbers were up significantly. Total sales to date for the fiscal year were up 15% more than the previous year. International led the way with a 32% increase [mostly due to the recovery in Japan following the bovine spongiform encephalopathy (BSE) crisis].

Corah presented an update on the Feedlot-Licensing Program (FLP). Due to some changes in the way cattle were being enrolled by some of the feedyards, the enrollments for 2002 (approximately 197,000) do not reflect the true growth in the program. Within the next several weeks, the total number of licensed yards will be approaching 80.

ANGUS PRODUCTIONS INC.

Angus Productions Inc.'s (API's) financial and budget reports for the period ending Jan. 31, 2003, were presented. API has a year-to-date total revenue of \$1,583,379.36 and expenses of \$1,650,543.75 for excess revenue over expenses before nonoperating charges of negative \$67,164.39. An income tax payment of \$17,697.00 results in a net loss of \$84,861.39.

Regular advertising pages in the *Angus Journal* are down 23 pages, or 3.6%, compared to the same period last year. Sale



book pages in the *Angus Journal* have decreased by 193 pages for the same period, or 29.4%.

The new procedure for in-house proofing of the *Angus Journal* pages was implemented with the February 2003 issue.

Two new staff additions for API are Michael Bush in desktop layout and Tonya Shinn in Web Marketing.

The Web Marketing Department will again partner with Boehringer Ingelheim Vetmedica, Inc., to produce real-time coverage of the Beef Improvement Federation (BIF) meeting in May 2003. Real-time coverage of the 2003 Cattle Industry Annual Convention and Trade Show, in Nashville, Tenn., was provided in late January.

After discussion of the factors that led to the current subscription rate and reasons for separating the *Journal* subscription fee from the Association dues, a motion was passed to hold the subscription rate at its present level.

API's policy regarding editorial reprints was reviewed.

Lastly, a classified ad that will appear beginning with the next issue of the *Angus Journal* was submitted. The discussion's focus was on API's established policy of publishing other breed advertising in API publications. After discussion, no action was taken.

ANGUS FOUNDATION

Richard Wilson reviewed the financial status of the Angus Foundation. The Angus Foundation has total current assets of \$296,327.47 and total investments of \$1,022,290.44 for total assets of \$1,318,617.91. The Angus Foundation has no current liabilities. Wilson then reviewed the income and cash flow statements and investments for the Angus Foundation.

A policy was adopted for determining the funds available for scholarships and awards in designated accounts.

A motion passed to set the parameters for diversification of investments between fixed income and equity securities.

The Board discussed using money managers specializing in bonds and bond funds for the fixed income portion of the portfolio and an additional manager for the equity funds.

The Board discussed the current investment policy regarding management of



the equity assets and fixed income investments.

Wilson reported that the American Angus Auxiliary had completed the transfer of their AOL Scholarship fund to the Angus Foundation.

The Angus Foundation Golf Tournament will be held during the NJAS on Tuesday, July 15, 2003.

The silent auction will be held during the NJAS.

The Angus Foundation scholarship applications are available on the Angus Foundation Web site at www.angusfoundation.org or by calling the Junior Activities Department of the American Angus Association. This year, an additional \$5,000 is being awarded in the Angus Foundation scholarships for a total of \$25,000.

James Fisher reported that the 2003 Angus Foundation Heifer Package donated by Whitestone Farm, Aldie, Va., was sold for \$40,000 to Paws Up Angus Ranch, Greenough, Mont.; Edwards Angus Ranch, Denton, Mont.; Three Trees Ranch Inc., Sharpsburg, Ga.; Express Angus Ranches, Shawnee, Okla.; Limestone LLC, Perkins, Okla.; and Rolling RRR Ranch LLC, Edmond, Okla.

The donor of the heifer for the 2004 package will be Beartooth Ranch, Columbus, Mont.

The Angus Foundation will conduct the 2003 Leaders Engaged in Angus Development (LEAD) Conference, accepting a sponsorship from the American Angus Association.

The Board discussed the future needs and direction for the Angus Foundation, deciding to do a long-range planning session in association with the June meeting of the Board.

NEXT BOARD MEETING

June 7-10, 2003 — Saint Joseph, Mo.

