

ASSOCIATION Board Action

► Highlights of the June 12-15, 2007, meeting of the American Angus Association Board of Directors

Board conducts June business

Pursuant to notice, the meeting of the American Angus Association Board of Directors was called to order in Santa Fe, N.M., June 12-15, 2007. The following officers and directors were present: Jot Hartley, president; Paul Hill, vice president; Jay King, treasurer; Gregg Blythe; Jarold Callahan; Bill Davis; Al DeClerk; Norman Garton; Joe Hampton; Steve Olson; Robert "Bob" Schlutz; John Schurr; Gordon Stucky; Richard Tokach; Rob Thomas; Phil Trowbridge; and Cathy Watkins. Highlights of the meeting are as follows.

ACTIVITIES & EVENTS COMMITTEE

A petition from the Western National Angus Futurity (WNAF) was presented to the Activities Committee to reconsider the judge for the 2008 WNAF. The judges were approved as initially submitted to the Activities Committee by the Western National Angus Futurity Committee and the Western States Angus Association.

Judge requests submitted by the American Angus Association to the judges committee of the National Western Stock Show (NWSS) were approved as presented. The Angus schedule for 2008 will remain very similar to the schedule used in 2007. New health requirements at the NWSS include a negative test for bovine viral diarrhea (BVD) persistent infection (PI) required on all cattle brought onto the grounds for either exhibition or sale. In addition, any animal sold either through a sale or private treaty will be required to have negative brucellosis (Bang's disease) and tuberculosis (TB) tests.

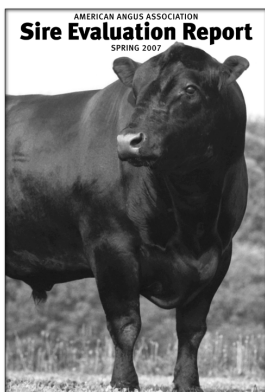
Cody Sankey, Lansing, Mich., was approved to judge the junior show at the NWSS.

Robin Ruff has accepted the position of administrative assistant in the Junior Activities Department of the American Angus Association. Robin is a recent graduate of Kansas State University with a background in junior programs and the beef industry. Katy Kemp, a senior at Texas A&M University, joined the Junior Activities Department as the 2007 summer intern.

BREED IMPROVEMENT COMMITTEE

Research project update. Ongoing and completed research projects conducted within the Association and with cooperating

institutions were reviewed. Plans for adaptability projects addressing hair shedding and high-altitude disease were described. Additional discussion included details on the University of Missouri's planned genotype-by-environment analysis of Angus sires represented in Brazil and the United States for preweaning growth. And, the Association's feed efficiency projects at universities were discussed.



Results from the University of Missouri research on Angus temperament scores were summarized. It was unanimously approved to pursue an Angus genetic evaluation for temperament.

The Angus dollar value index (\$Value) economic assumptions to be updated for the Fall 2007 National Cattle Evaluation (NCE) were reported.

Linear type trait data collection.

Examples of type trait reports published for beef and dairy cattle were outlined. Discussion was held regarding udder score data collection and the current capabilities of the Angus Information Management Software (AIMS) package to manage that data. Photographs to illustrate the scoring system and the need to publicize to the membership the value of collecting records, as well as the Beef Improvement Federation's (BIF's) guidelines were discussed. It was unanimously approved to inform members of current udder scoring methods, to convey the importance of udder scoring systems for within-herd genetic selection, and to develop means to receive scores into Angus Herd Improvement Records (AHIR®).

End-product genetic evaluation

models. The committee discussed a BIF Guidelines revision that recommends carcass and ultrasound phenotypic data be analyzed in a combined genetic evaluation to produce a single set of expected progeny differences (EPDs) on an age-constant, carcass-trait basis. It was unanimously approved to pursue analyzing the ultrasound and carcass AHIR data to compute one set of carcass EPDs. A subcommittee chaired by Jarold Callahan, with members Joe Hampton and Rob Thomas, was appointed to work with staff on the project, with a goal to include the carcass EPDs in the Spring 2008 NCE.

Heifer pregnancy genetic evaluation.

Staff summarized the research heifer pregnancy genetic evaluation release scheduled for July 2007. The web-based menu to display the research heifer pregnancy (HP) EPDs on sires with a minimum accuracy of 0.30 was described.

Cloning. The current policy for handling cloned calves, their performance data, and EPD calculations was discussed. It was unanimously approved to retain the current procedure to report cloned calves. The membership will continue to be reminded of the Association's rules on cloning, including the 'Suggested Sale Terms and Conditions' references to cloning.

Genetic evaluation research discussion.

Staff reported on the agreement being developed for a multi-year University of Georgia research position and access to genetic evaluation software. A review of the Association's continuing multi-breed evaluation research was given, including the planned creation of an entity to perform custom genetic evaluations. The Association has received formal requests from two breed organizations to perform their genetic evaluations. It was suggested that a portion of potential profits from these genetic evaluation services be directed to the Angus Foundation for additional research funding.

FINANCE & PLANNING COMMITTEE

Balance sheets and income statements were reviewed for the American Angus Association, Angus Productions Inc. (API), the Angus Foundation and Certified Angus Beef LLC (CAB). The financial review included the consolidated financial reports and the financial reports of each entity for the

seven-month period ending April 30, 2007.

Total assets on the consolidated financial report are \$31,874,000, consisting of current assets of \$6,034,000, investments of \$21,255,000, property and equipment of \$4,343,000 and noncurrent assets of \$243,000. The investment portfolio is a diversified portfolio with 64% in equities and 36% in fixed income securities. The return on investment for the last 12 months for the equities portion and fixed income portion of the portfolio is 6.9% and 4.9%, respectively. A portion of the investment portfolio is on the balance sheet of each company and designated for specific purposes relative to the business of each company.

Current liabilities are \$1,817,000, consisting of accounts payable, accrued liabilities and deferred income. Long-term debt is \$1,160,000 and consists of deferred income of \$120,000, accrued health insurance benefits of \$656,000 and deferred compensation of \$384,000. The net income for the period ending April 30, 2007, is \$3,714,000.

Projected financial outcomes for the current fiscal year ending Sept. 30, 2007, and preliminary budgets for fiscal year (FY) 2008 were also reviewed. The combined preliminary budgets of the American Angus Association and its subsidiaries and affiliate for fiscal 2008 have projected revenues of \$34,676,000 and expenses of \$33,361,000.

The effect recent postal rate increases will have on the budget was discussed. Mail room machines would need to be replaced to accommodate the changes in postal guidelines in determining postage rates, which now include both weight and size considerations. The importance of encouraging electronic storage of registrations in the future to control postal costs was discussed.

Discussion was held regarding an expense in the Association's budget to support the additional cost incurred by API for the expanded circulation of the *Angus Beef Bulletin*. It was approved to budget this expense for other marketing programs aimed toward the commercial cattle industry in 2008.

The corporate insurance program underwritten by The Chubb Insurance Co. and the employee health insurance program with Blue Cross Blue Shield were reviewed.

The procedure in determining the value of regional manager sales support for API and a potential distribution from CAB were discussed by the committee.

The committee discussed the asset allocation of the investment portfolios of the Association and its subsidiaries. It was the consensus of the Finance Committee to further diversify the equity portion of the investment portfolios.

The committee discussed the lack of an allowance for doubtful accounts on the balance sheets and the method used by the Association and its subsidiaries to recognize uncollectible accounts.

INDUSTRY RELATIONS COMMITTEE

Events planned for the fall include Cattlemen's Boot Camps at the University of Kentucky and Penn State University.

Staffing changes in the communications department include the hiring of Monica Jordan, public relations assistant, and the retirement of Mary Pepple, communications specialist. Summer interns are Christina Harp and Anne Trenholm.

A new advertising campaign and insertion schedule for FY 2008 was unanimously approved.

AngusSource® passed the annual U.S. Department of Agriculture (USDA) Audit with no nonconformances identified. The ranch- and feedyard-level programs have been approved for another year.

AngusSource will implement a \$50-per-enrollment fee beginning with the next fiscal year.

INFORMATION & DATA MANAGEMENT COMMITTEE

A review of several Information Systems (IS) department projects was given, including HP EPD calculations and web site display, online optimal milk module updates, e-mail spam firewall implementation, and \$QG/\$YG additions to angusonline.org. Also, development

continues on ProRodeo, with a projected rollout in summer 2008.

The committee was updated about the status of Ranch Hand and AIMS, including discussion on a necessary change in the development tool used. A report will be given at the September Board Meeting with a plan to integrate a Ranch Hand development timeline with ProRodeo implementation.

Order forms for Beef Record Service (BRS)/AngusSource Black Books, which are sponsored by BioZyme, have been mailed with the deadline of July 15, 2007. The EPD Update, sponsored by Pfizer Animal Health, is scheduled to be mailed to 24,700 affiliate members in August.

The *Priorities First* full report and fact sheets were distributed to university and Extension specialists, allied industry, and state cattlemen's associations. Positive feedback has been received on the *Priorities First* projects.

Producer meetings are being planned to inform producers of Association commercial programs and include five locations to promote incorporating AngusSource into existing value-added sales.

An update on industry efforts in using single nucleotide polymorphisms (SNPs) in parent verification was given.

A review was presented regarding the final agreement with the Iowa State University Research Foundation (ISURF) on the license now in place for the genetic defect marker test for dwarfism. This included discussion of the rules pertaining to genetic defects as well as recommendations and considerations in offering this DNA test to the industry. It was approved to develop guidelines, pricing and policy for the test with a report back to the committee at the September Board Meeting.

Alternatives for collecting current demographic information from Association active adult, active junior and affiliate members were presented. The information could be used by the Association and its entities for targeted development of programs and services to better serve the industry. Distribution and completion of the survey to all three member groups would be

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achieved by both mail and electronic methods. It was approved to collect the demographic data on all three groups.

CERTIFIED ANGUS BEEF LLC

The projected year-end budget was reviewed. Finishing the year with a positive bottom line would strengthen the company's cash flow position.

The President's report reviewed recent staffing changes, including the

appointment of Mark Polzer to the position of vice president, business

development, along with the creation of two sales director

positions (East and West) to help lead the team of executive account managers.

Appreciation was expressed for Vickie Catteau, who has announced her retirement after more than 22 years of service to the organization.

Cattle supply and sales numbers were reviewed through May 2007. *Certified Angus Beef*® (CAB®) product sales are expected to exceed 570 million pounds (lb.) for FY 2007, with continued increases in both CAB® Prime and CAB® Natural.

More than 15,000 copies of *Supplying the Brand* have been disseminated, and more than 63,000 downloads of articles from the web site have been taken from this publication.

A multi-media presentation of CAB® marketing highlights included the recent promotion of CAB® products by Donald Trump and an hour-long QVC segment talking about CAB® quality, along with many more examples of media coverage for the brand.

An overview of the financial allocation of resources by marketing, sales, overhead, supply development and brand assurance was presented. The preliminary FY 2008 budget includes major increases in spending in the area of marketing programs. The Board voted to suspend the 2½% contribution to the Association for the FY 2008 budget.

A presentation was made on beta-agonists and their potential to negatively affect quality beef production. The Board expressed its interest in empowering the staff to take a position on such products as necessary regarding their use on cattle targeted for high-quality beef production and its long-term potential effect on beef demand (by negatively affecting quality).



ANGUS PRODUCTIONS INC.

Year-to-date, *Angus Journal* advertising continues to outpace last year's numbers, with advertising pages up 7.1% and sale book pages up 56.5%. Based on current sale book reservations, the final quarter of FY 2007 is expected to exceed projections.

API has year-to-date total revenue of \$5,667,519.78 and expenses of \$5,072,573.19. An income tax adjustment of \$22,502.17 and unrealized gain on investments of \$1,291.34 resulted in excess revenue over expenses of \$573,735.76.

An updated Rates Policy for the *Angus Journal* and the *Angus Beef Bulletin* will be implemented with the September 2007 issues.

An Editorial Services position was approved. The position will allow API to provide editorial services — such as writing of articles, feature photography and event coverage — to producers and industry on a custom-hire basis.

ANGUS FOUNDATION

The financial status of the Angus Foundation was reviewed for the seven-month period ending April 30, 2007.

The preliminary budget for FY 2008 was reviewed. Two new priorities for the budget will be additional funding for implementation of regional Leaders Engaged in Angus Development (LEAD) conferences and support for Angus youth pursuing advanced (graduate) degrees in higher education.

Preliminary plans for the advanced-degree concept were discussed, and proposed guidelines will be recommended at the September meeting.

Proposed expenditures for the \$13,950 received in contributions to the 2007 Annual Fund were approved, allocating \$11,450 for initial establishment of a permanent funding source (endowment) for the National Junior Angus Show (NJAS) and \$2,500 for sponsorship of one Angus representative to the 2008 Young Cattleman's Conference (YCC).

More than \$3.6 million has been raised in cash gifts, pledges and planned giving commitments toward the Vision of Value: Campaign for Angus, which aims to raise \$11 million by Dec. 31, 2011, to advance the Angus Foundation's education, youth and

research efforts for the benefit of Angus breeders and the breed.

BOARD OF DIRECTORS ACTION

An AngusSource® Task Force committee was approved and appointed to develop initiatives to promote the program and to identify financial and personnel issues, with a report to be presented at the September 2007 Board Meeting. The task force is comprised of Bob Schlutz, chair; Rob Thomas; Gregg Blythe; Phil Trowbridge; Joe Hampton; and Steve Olson. Staff advisors are John Crouch, Jim Shirley, Sara Moyer, Larry Corah and Mark McCully.

A Task Force committee was approved and appointed to consider requests regarding Red Angus cattle and provide a report at the September 2007 Board Meeting. The task force is comprised of Paul Hill, chair; Jay King; John Schurr; Jarold Callahan; Al DeClerk; Norman Garton; and Cathy Watkins. Staff advisors are John Crouch, Bill Bowman, Jim Shirley and John Stika.

The Board voted unanimously to create a separate business entity to offer genetic evaluation services, including multi-breed evaluation, with plans for the entity to be in place by the September Board Meeting. To oversee the implementation of this action, a Task Force committee was approved and appointed. It is comprised of Richard Tokach, chair; Bill Davis; and Gordon Stucky.

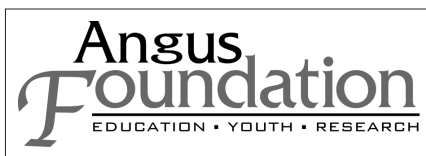
The Board considered and discussed a request from a member that delegates to the Annual Convention should be required to vote for five candidates when casting ballots for election of Directors. No action was taken.

A program will be developed, possibly with Foundation support, to provide leadership training opportunities for Angus breeders.

The Board reviewed draft Codes of Ethics and Conduct for the Officers, the Board Members and all employees of the Association and its wholly-owned subsidiaries. The issue will be revisited at the September Board Meeting.

NEXT BOARD MEETING

► September 5-7, 2007, in Saint Joseph, Mo.



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