



Board Action

► Highlights of the June 7-9, 2006, meeting of the American Angus Association Board of Directors

Board conducts business in June

Pursuant to notice, the meeting of the American Angus Association Board of Directors was called to order in room Cedar Creek B at Big Cedar Lodge, Ridgedale, Mo., June 7-9, 2006. The following officers and directors were present: Ben Eggers, president; Jot Hartley, vice president; Paul Hill, treasurer; Gregg Blythe; Jarold Callahan; Bill Davis; Al DeClerk; Norman Garton; Joe Hampton; Paul Hill; Jay King; Robert "Bob" Schlutz; John L. Schurr; Dave Smith; Richard "Dick" Tokach; Rob Thomas; and Phil Trowbridge.

Highlights of the meeting are as follows.

BOARD OF DIRECTORS

The Board unanimously adopted a new Rule 600 related to members' ongoing and continuing duty to comply with all policies and guidelines of the Association related to its various programs. The new Rule 600 reads as follows:

It is the duty of every member, affiliate, their employees, agents and others acting on their behalf to comply with all policies or guidelines related to any program of the Association.

The current Rule 600 would become 601, and all subsequent numbered paragraphs will be renumbered accordingly.

Three directors will be appointed each year to serve on the following National Cattlemen's Beef Association (NCBA) committees: Beef Production Research, Product Enhancement and International Markets.

A program will be developed to allow a representative from past directors to be invited to Board meetings for a one-year term.

Jim Sprake and William Conley were appointed as election observers to be present during the counting of the ballots to elect delegates and alternates to the Nov. 13, 2006, Annual Convention of Delegates.

ACTIVITIES & EVENTS COMMITTEE

The American Angus Association will assume the financial responsibility for audiovisual equipment, big screen and directional signage at the National Junior Angus Show (NJAS). In addition, the Association will provide funding for the class winner awards at \$25 per class; contest judges' appreciation gifts at \$22.50 per judge; as well as \$3,000 toward the queen's tea/luncheon. This will start with the 2006 NJAS.

The Association will assume the

responsibility to coordinate the bedding arrangements for the NJAS.

The Association will host an open house on Wednesday, June 28, to celebrate its 50th year in Saint Joseph. Community members have been invited to tour the Association.

Plans are in place to hold a Boot Camp Aug. 29-30 at the University of Illinois.

The 2006 National Angus Conference & Tour is Sept. 26-28 in Boise, Idaho. Both the Idaho and Oregon Angus associations are hosting the tour. Purina Mills, LLC, and Alpharma Animal Health are the major partners for the event. The 2007 National Angus Conference & Tour will be Aug. 29-31 in Peoria, Ill.

The 2007 National Western Stock Show (NWSS) schedule will remain similar to the 2006 schedule, with a minor time change to the pen and carload show, which will begin at 8:30 a.m. instead of 9 a.m.

The 2006 Leaders Engaged in Angus Development (LEAD) Conference, "Wranglin' Up Your Future," is set for Aug. 3-6 in Oklahoma City, Okla. An agribusiness focus is being taken at this year's event.

FINANCE & PLANNING COMMITTEE

Balance sheets and income statements were reviewed. Also reviewed were the consolidated financial reports and the financial reports of each entity for the seven-month period ending April 30, 2006.

Total assets on the consolidated financial report are \$28,883,000, consisting of current assets of \$6,100,000, investments of \$18,702,000, and property and equipment of \$4,081,000. The investment portfolio is a diversified portfolio with 61% in equities and 39% 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 19.4% and 3.5%, 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 \$1,621,000, consisting of accounts payable, accrued liabilities and deferred income. Long-term debt consists of \$944,000 for accrued health insurance benefits and \$350,000 for deferred compensation. The net income for the period ending April 30, 2006, is \$3,387,000.

Financial projections of the Association for the current fiscal year ending Sept. 30, 2006, were reviewed. The Committee also reviewed the preliminary budget of the Association for fiscal year (FY) 2007, with projected revenue of \$10,048,400 and expenses of \$9,922,900.

The Committee discussed costs and revenue relating to the development of the AngusSource® program. In addition, the Committee discussed the communication and presentation of the Association's finances to the membership.

The Committee discussed the merger of the Gold Trust Bank with M&I Bank. To date, the operations of the Trust Co. have not been affected by the merger. Key personnel, investment options and investment philosophy have not changed. The staff will continue to monitor this situation.

A summary of the corporate insurance program and the employee health insurance policy was reviewed by the Committee.

The Committee discussed the mission of the Angus Foundation and how it parallels and supports the goals of the Association. The following two issues were discussed:

- Funding of administrative and fundraising personnel costs of the Angus Foundation; and
- Endowing future administrative and fundraising personnel costs of the Angus Foundation.

The Committee voted to fund personnel and other administrative and fundraising costs of the Angus Foundation with donations of \$300,000 for FY 2007 and an equivalent monthly donation of \$25,000 for the remainder of FY 2006. Future funding will be established in the annual budgeting process for the Association.

The Committee discussed possible additional funding in FY 2006 of the endowment to the administrative and donor

relations fund for the Angus Foundation. Further discussion of this issue was deferred until the September 2006 Board meeting.

The Finance Committee reviewed the Association's mileage reimbursement policy. The Committee voted to establish the mileage reimbursement rate at the current Federal rate for Board members and company personnel not having access to a company vehicle.

INDUSTRY RELATIONS COMMITTEE

An AngusSource® program update was given. Following discussion it was decided to leave the current fee structure in place for AngusSource.

A national advertising insertion schedule was presented and approved.

A plan was approved to implement a monthly webcast to help keep members informed of Association programs.

Discussion was held regarding the preliminary National Beef Quality Audit (NBQA) report, the final edition of which is due out this fall.

INFORMATION & DATA MANAGEMENT COMMITTEE

AIMS update. Invitations were sent by e-mail to new Angus Information Management Software (AIMS) users for online introductory classes. The classes will be scheduled later in the year, as will possible evening workshops this summer.

Information Systems (IS) project update. Programming continues on the current computer system for projects such as accepting data from multiple ultrasound labs and Web site enhancements. Work progresses simultaneously on the new ProRodeo system for the in-house, AAA Login and AIMS applications.

\$QG, \$YG display. Display options for increasing the visibility of quality grade (\$QG), yield grade (\$YG) and cow energy (\$EN) index values in performance reporting were considered. It was approved that \$EN be added to the maternal expected progeny difference (EPD) section of the Performance Registration Certificate (PRC) and that \$QG and \$YG be included on the PRC and the online EPD/Pedigree lookup.

Genetic defect marker test update. An overview was given on licensing negotiations with Iowa State University Research Foundation (ISURF) for the dwarfism genetic defect test. The Board of Directors discussed the aspects of licensing the test and potential rule changes that might be incorporated with a DNA test in place. Proposed rule changes will be further discussed at the September Board meeting, assuming the license with ISURF is completed.

DNA parent-verification program. Proposals from genomics companies that

had been submitted to the Association for DNA parent-verification services were discussed. A committee was appointed to review DNA parent-verification lab proposals with consideration of a long-range plan for parent verification and DNA testing.

Incentive-based whole-herd reporting.

Discussion was held on the potential for incentives to herds currently reporting inventory-based production measures through the Association's Beef Improvement Records (BIR). Points of interest included development of a complete reporting program to generate more data for reproductive and longevity research that provides breeder recognition and no changes in fee structure. Staff were asked to prepare a specific proposal for a voluntary complete herd reporting program and report at the September Board meeting.

Ultrasound. An update was given on the multi-lab process for interpreting ultrasound images. The Association's Web site currently includes links for breeder protocol, policy details, field technicians and authorized labs. Four processing labs have been approved for interpreting images.

Genetic parameters used in the National Cattle Evaluation (NCE) for performance traits were discussed relative to an animal's EPDs. It was suggested that future *Angus Journal* articles and educational programs address the use and interpretation of these genetic measures.

Future considerations for research and education were reviewed, as recommended by the Guidelines Committee for Ultrasound Processing. Potential projects were discussed and staff were asked to:

- ▶ Develop a literature review of previous and ongoing research conducted on ultrasound and its relationship to carcass traits.
- ▶ Pursue research and review literature involving end point, gender and age adjustments to ultrasound data using existing data and potential serial scan data.

Discussion was held on the effect of requiring animals to be registered with the Association prior to processing ultrasound interpretations for use in genetic evaluation. No action was taken.

Proposed rule change. The Committee unanimously recommended that the Board of Directors adopt a new Rule 600 related to members' ongoing and continuing duty to comply with all policies and guidelines of the Association as they relate to its various programs. (See action under Board of Directors.)

Multi-breed genetic evaluation update. The current status of the National Beef Cattle

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Evaluation Consortium (NBCEC) multi-breed genetic evaluation was given. The proposed NBCEC fee structure on a per animal basis was outlined for breeds participating in future NBCEC production runs for multi-breed EPDs. Multi-breed genetic evaluation research remains an ongoing project for the American Angus Association.

CERTIFIED ANGUS BEEF LLC

CAB has a year-to-date total revenue of \$6,923,892 and expenses of \$6,608,627 for a balance of \$315,264. Currently, royalty income is running approximately 7% below budget.

The projected year-end budget was

reviewed. Expenses have been adjusted in most areas of the budget to result in an expected balanced budget.

CAB President Jim Riemann provided a supply update through April 2006, which included 9.6% fewer certified cattle for the fiscal year. *Certified Angus Beef*[®] (CAB[®]) product sales are running approximately 1.3% above one year ago, with carcass utilization running 11.1% over a year ago. Many of the packing plants have seen a record year in carcass utilization. The CAB Natural program is showing great growth with strong demand and increased supply.

The international team and Mark Polzer, CAB foodservice director, worked together to launch GFS—Calgary, Canada. Mexico set an all-time record in April. Challenges and opportunities in the Pacific Rim markets included recapturing market share from Australian grain-fed beef.

John Stika, CAB vice president of business development, reported on the industry's use of instrument grading and its possible effect on the CAB program. USDA has approved the camera for yield grade determination, but at this point, no plant has implemented the technology for official USDA yield grade determination. With the exception of one independent plant, the remaining large packers are moving forward (all at varying degrees) to implement the technology. Data collected in the 2005 consist study reflect that the move to cameras to call yield grade could reduce acceptance rates by 1% for the CAB program.

The Board approved opening the USDA GLA genotype live-animal eligibility requirement to allow AngusSource-tagged cattle to be considered for the carcass specifications for the CAB program. This is in addition to the phenotype requirement.

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The brand's yield grade specification was discussed. Staff was directed to develop alternative proposals for considering modification of the cutability standard to incorporate YG 4 carcasses to the extent that end product quality can be maintained. The proposals should include the economic effect such change would have on Certified Angus Beef LLC. The proposals will be considered at the September 2006 meeting.

The CAB Board considered a request by the Virginia Angus Association to incorporate lower-marbling, young (under 15 months of age) Angus cattle into the CAB program. The proposal was not approved.

Tracey Erickson, CAB vice president, shared that licensees see the CAB marketing

team as second-to-none. She explained the marketing team was split to focus on trade, consumers and producers, to allow CAB to focus the team's strengths into the specific areas. She highlighted target market efforts and sample ads, newly developed sales-marketing resources, Supply Development producer-focused radio spots, and extensive consumer research that will be done this fall.

The FY 2007 preliminary budget was presented. The budget projects a 3% increase in identified cattle with an acceptance rate equal to this year's projected acceptance rate. Pounds per head were adjusted slightly, with an expected increase in revenue of just more than 2%. Expenses are in line with FY 2006, with slight increases in the salary, insurance benefits, and marketing budgets.

Larry Corah presented the *Drovers* survey of 1,000 commercial cattle producers. Results showed a small decrease in producer plans to

buy Angus bulls and showed the CAB program is the most recognized program in returning dollars to producers for hitting the quality target.

Corah presented a paper on factors affecting marbling deposition. The team has continued to seek answers as to why acceptance rates continue to decline. Factors affecting the decline in acceptance include increases in yield grade, number of cattle being identified as more than 30 months of age, health trends within feeder cattle, increased feeding of distillers' grain, more aggressive implant use, and marbling decline since 1976 of about 6% in the USDA Choice grade. Statistics show how many cattle are just barely missing the CAB marbling requirement, and minimal changes in management and genetics could significantly affect CAB numbers.

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ANGUS PRODUCTIONS INC.

API continues to exceed budget projections pertaining to advertising and sale book pages for the *Angus Journal* and *Angus Beef Bulletin* for FY 2006. At the same time, expenses exceed the 2006 budget projections for the same period due to the increased advertising pages and sale books.

The "Salering" insert will be eliminated from the *Angus Journal*. Instead, a monthly sale summary will direct readers to Salering online (www.angusproductions.com/api_salering.html) for complete results.

The procedure was explained for the use of the *Angus Journal* masthead on sale books to accommodate heavy sale books while adhering to postal regulations.

A review of circulation totals for the *Angus Journal* (17,993) and *Angus Beef Bulletin* (91,332) includes counts for copies distributed to colleges, universities, Extension personnel and beef industry addressees.

A revised advertising policy for publishing data and information in API publications, sale books and Web Services breeder sites was adopted unanimously. The policy reads:

- ▶ *With respect to American Angus Association Performance Information,*

API will publish or display only the most current Information.

- ▶ *With respect to any additional performance or genetic measures (or claims thereof) not a part of the American Angus Association Performance Information, such information will be published or displayed subject to the final discretion of API.*

- ▶ *API shall reserve the right to have advertisers provide explanations within their advertisements for claims of performance or genetic information supplied by the advertiser.*

ANGUS FOUNDATION

Director of Development Milford Jenkins was promoted to the office of President of the Angus Foundation.

Meghan Richey joined the Angus Foundation staff as marketing and public relations assistant on June 14, 2006.

A policy was approved for receiving and approving funding requests from entities outside of the Association. Information and application forms will be available at www.angusfoundation.org.

A multi-year, multi-million dollar fundraising campaign was approved to further advance the education, youth and research goals of the Foundation. Scheduled for completion by Dec. 31, 2011, this effort

will result in the following benefits for Angus breeders and youth.

Education. Expanded educational opportunities such as additional Cattlemen's Boot Camps, seminars, university and college symposiums, short courses, literature, Angus "Think Tanks," and a Young Angus Breeders Leadership Development Program.

Youth. Increased opportunities through the scholarship programs of the Foundation, the American Angus Auxiliary and CAB; new donor-designated scholarship funds; additional opportunities through internships, the LEAD Conference, NJAS and the National Junior Angus Association (NJAA).

Research. Increased investments in bovine-related scientific research to further strengthen the Angus breed's position in the beef industry.

The campaign will be guided by a "leadership cabinet" composed of Angus breeders, allied industry leaders and other financial supporters.

A formal announcement of the campaign will be made at the annual Supporter Recognition Event and Fundraiser in Louisville, Ky., Nov. 11, 2006.

NEXT BOARD MEETING

Sept. 6-7, 2006, Saint Joseph, Mo.

