



# Board Action

► Highlights of the Sept. 5-7, 2007, meeting of the American Angus Association Board of Directors

## Board conducts September business

Pursuant to notice, the meeting of the American Angus Association Board of Directors was called to order in the boardroom of the American Angus Association, Saint Joseph, Mo., Sept. 5-7, 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

**Angus Heritage Foundation.** The following individuals were unanimously approved for induction into the Angus Heritage Foundation in 2007:

- John Barton, Kansas City, Mo.;
- Bob Hartley, Vinita, Okla.;
- Blanford Pierce, Creston, Ill.;
- T.D. Steele, Roanoke, Va.; and
- Fred Francis (deceased), Illinois.

**NJAS-approved activities.** The following statement will be placed in the National Junior Angus Show (NJAS) Planning Manual and Guidelines:

*All activities, events, programs, contests, social activities, etc., held as a part of and/or associated with the National Junior Angus Show must be approved by the director of junior activities before any such item is placed on or made a part of the NJAS schedule of activities, either held at, during, or in preparation for the NJAS.*

**2008 NJAS.** The following people were approved as judges for the 2008 NJAS in Des Moines, Iowa:

- owned heifers — Chris Sankey, Council Grove, Kan.
- bred-and-owned cattle and cow-calf pairs — Mark Duffell, Aldie, Va.
- steers — Blake Bloomberg, College Station, Texas
- showmanship — Donnie Robertson, Yukon, Okla.; Holly Gamble Meier, Clinton, Tenn.; and Jim Pipkin, Republic, Mo.

**2008 Western Regional Junior Angus Show.** Jason Hoffman, McArthur, Calif., was approved as the judge for the 2008 Western Regional Junior Angus Show, Reno, Nev., April 26-28.

**2009 regional requests.** The request by the Ohio Junior Angus Association to host

the 2009 Eastern Regional in Columbus, Ohio, was approved.

The request by the Western States Angus Association to host the 2009 Western Regional Junior Angus Show in conjunction with the Western National Angus Futurity (WNAF) in Reno, Nev., was approved.

Divisions will be added to the bred-and-owned heifer classes at the Western Regional Junior Angus Show, beginning in 2008.

**Junior Angus regional preview show requests.** The following shows were approved for regional preview show status for 2008 and 2009.

- 2008 — Northwest Regional Preview, Washington
- 2009 — Atlantic National, Timonium, Md.
- 2009 — All-American Angus Breeders' Futurity, Louisville, Ky.
- 2009 — Mid-Atlantic Junior Angus Classic (MAJAC), Harrisonburg, Va.
- 2009 — Minnesota Angus and junior Angus associations at Austin, Minn.
- 2009 — Missouri Angus and junior Angus associations at Springfield, Mo.

**2010 NJAS request.** A request by the Colorado, Kansas and Nebraska Angus and junior Angus associations to co-sponsor the 2010 NJAS in Denver, Colo., was approved.

**ROV points.** Starting with the 2008-2009 show year, premiums will be paid on the number of head shown in the previous year with the following breakdown:

- Super-Point ROV Shows**
- National Western Stock Show (NWSS) — 50%
- North American International Livestock Exposition (NAILE) — 50%
- American Royal — 50%
- Atlantic National — \$4,500 lump sum
- WNAF — \$4,500 lump sum

### Recognized ROV Shows

- 150 or more head — \$3,000 lump sum
- 100-149 head — \$2,500 lump sum
- 99 or fewer head — \$2,000 lump sum

**NJAS.** The bred-and-owned senior calf classes at the NJAS will be split into two divisions starting in 2008.

### BREED IMPROVEMENT COMMITTEE

**Heifer pregnancy genetic evaluation.** A follow-up report was provided on the research heifer pregnancy (HP) expected progeny differences (EPDs) released in July 2007. It was approved to release an updated research heifer pregnancy genetic evaluation in conjunction with the Spring 2008 National Cattle Evaluation (NCE).

**Angus temperament genetic evaluation report.** Results of the research temperament genetic evaluation were presented. It was approved to release a research Angus docility genetic evaluation as part of the Spring 2008 NCE, with a listing of sires having a minimum 0.20 accuracy and at least 10 progeny and two groups. Breeders will be provided with highlights of the research and a deadline for submitting yearling temperament scores in order to be included in the evaluation release.

**Centralized ultrasound processing review.** An update on the Association's ultrasound activity through one year of multiple lab processing was presented. A report on Ultrasound Guidelines Council (UGC) activities and the field technician certification process was given. A new executive director of UGC, Janice Rumph from Montana State University, has been selected to oversee the council's activities.

**Integrated carcass genetic evaluation.** A progress report was given on the research and prototype model development to combine carcass and ultrasound genetic evaluations into a single set of carcass EPDs. Models for calculating carcass weight, marbling, ribeye and fat EPDs were outlined.

**Other items.** A preliminary research update was provided regarding the North Carolina State University (NCSU) feed efficiency project. The multi-disciplinary feed intake study is currently in Year 2, and it was unanimously approved to renew funding for Year 3 of the project.

CONTINUED ON PAGE 44

**FINANCE & PLANNING COMMITTEE**

Balance sheets and income statements were reviewed for the American Angus Association, Certified Angus Beef LLC (CAB), Angus Productions Inc. (API), Angus Foundation and Angus Genetics Inc. (AGI). The financial review included the consolidated financial reports and the financial reports of each entity for the 10-month period ending July 31, 2007.

Total assets on the consolidated financial report are \$31,953,000, consisting of current assets of \$5,783,000, investments of \$21,374,000, property and equipment of \$4,553,000, 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 (ROI) for the last 12 months for the equities portion and fixed income portion of the portfolio is 14.5% 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 the respective company.

Current liabilities are \$1,384,000, consisting of accounts payable of \$227,000, accrued liabilities of \$392,000 and deferred income of \$765,000. Long-term debt totals \$1,160,000 and consists of \$120,000 in deferred income, \$384,000 of deferred compensation and \$656,000 for accrued health insurance benefits. The net income for the period ending July 31, 2007, is \$4,226,000.

Financial projections of the American Angus Association for the current fiscal year (FY) ending Sept. 30, 2007, were reviewed. Revenue from operations is projected to exceed budget by about \$776,000, with investment income accounting for \$467,000 of the increase. Expenses are projected to be \$306,000 or 3% less than the amount budgeted.

The budget of the American Angus Association adopted for FY 2008 has projected revenue of \$10,925,500 and expenses of \$10,626,200. Net income after nonoperating expenses is \$218,300.

The new subsidiary, Angus Genetics Inc., was funded with a \$200,000 capital investment Aug. 1, 2007. Operations for the new company will begin Oct. 1, 2007.

The Finance Committee reviewed the consolidated investment portfolio of the Association and its subsidiaries and affiliate. Additions to the portfolio for all companies total \$1,188,000. Investment income is

\$994,000 and market appreciation is \$352,000. The total return for the trailing 12 months ending July 31, 2007, is 11%.

The Finance Committee authorized an increase in the capital fund of \$500,000.

The ProRodeo computer software upgrade is on budget and on schedule. Current expenditures total \$934,000. Scheduled implementation is still anticipated to be late summer of 2008.

**INDUSTRY RELATIONS COMMITTEE**

The committee voted to approve and support a new educational program for members 25-45 years old. The first Beef Leaders Institute is set for summer 2008 and will be a three-day event to give young producers an insight to the American Angus Association and all segments of the industry. Enrollment will be limited to 20 participants annually.

An education center will be established during the Angus events in Louisville where staff will conduct seminars on a variety of topics for Association members.

Anne Trenholm and Amber Wahlgren have joined the communications department.

After an update on the AngusSource® program, the committee voted to approve that staff can discontinue sending e-mail reminders about the program to members who transfer bulls to affiliates.

**INFORMATION & DATA MANAGEMENT COMMITTEE****Information Systems (IS) update.**

Reports were given on projects in the IS department, including calculation of docility EPDs, an enhancement of the AngusSource programming, and continual maintenance to Rodeo and the online web sites. Analysis and programming for ProRodeo continues. Development of a prototype pocket personal digital assistant (PDA) version of the new Angus Information Management Software (AIMS) has begun.

**AIMS update.**

The AIMS Department will be requesting udder scoring data from breeders who have collected data in their herds. Exports will be developed to submit this data to AHIR for analysis. Questions were answered on the increased electronic submission of data.

**Commercial programs update.** Nine commercial producer meetings were conducted at auction markets in six states during the three months prior to the Board Meeting. Producers who attended were

provided information on Association commercial programs and planned AngusSource sales.

The Association, in collaboration with Kansas State University and the National Cattlemen's Beef Association (NCBA), is sponsoring the Employee Management for Production Agriculture Conference designed for agricultural managers set for Oct. 11-12 at the Kansas City Airport Marriott.

Orders for the BRS/AngusSource Black Books, mailing of the EPD updates and the release of a third *Priorities First* fact sheet were reviewed.

**Defect Marker Test for Dwarfism.** Plans to utilize the Iowa State University Research Foundation (ISURF) licensed genetic defect marker test for dwarfism continues and is progressing as scheduled. The proposed testing procedures were reviewed, and DNA samples will be handled in a manner similar to parentage testing. A test price of \$75 per sample, which includes parentage results, was approved.

**CERTIFIED ANGUS BEEF LLC**

The projected year-end budget was reviewed with an expected bottom line of around \$300,000. Royalty income has exceeded budgeted income due to the increase in cattle supplies since February 2007.

Recent staff changes were announced, including the appointment of Gale Rhoads (Western Division) and David MacVane (Eastern Division) as directors of business development. More than 450 people were registered for the CAB Annual Conference, and the entire CAB Board was expected to attend.

The recent Texas Brand Builders meeting and the three Black Ink Basic seminars in Texas were well-attended. The continued focus on brand integrity, sales development through serving the customer, and the creation of long-term supply through producer education continue to produce great results. A sales update was presented through August 2007.

Foodservice, retail and value-added products have each set all-time record months in the past quarter. Despite numerous challenges in each business segment, the program is on target to set an all-time record for the most pounds of CAB product sold in one year.



## BOARD ACTION

The proposed FY 2008 budget was presented, including a review of the expected 5% increase in sales and the additional dollars being focused into marketing and customer initiatives. The Board amended the budget to include a \$30,000 distribution to the Association.

The Board heard a presentation on beta<sub>2</sub>-agonists and their potential to negatively affect quality beef production. It was reported that initial trials of cattle having been fed Zilmax® reduced marbling by an average of 20 points. While this product currently has a very small market share resulting in a limited effect on CAB supply, as the product penetrates more of the nation's feedlots, it is reasonable to anticipate significant negative effects on CAB supply in the future.



### ANGUS PRODUCTIONS INC.

Creative Media outlined areas of service and viewed its first completed video program.

Future business opportunities were presented with options to enhance and validate the *Angus Journal* and *Angus Beef Bulletin* through readership surveys and circulation audits. Circulation audits for both the *Angus Journal* and *Angus Beef Bulletin* will be conducted.

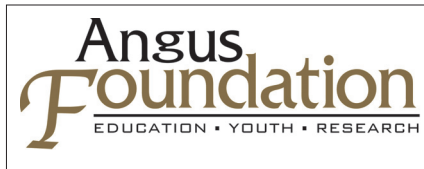
API staff was directed to look at different options for conducting readership surveys for the *Angus Journal* and the *Angus Beef Bulletin* and to report back to the API Board. The Board designated \$100,000 for a business development fund for API.

The FY 2008 budget was approved, with \$8,798,700 total revenue and total expenses of \$8,579,700, leaving excess revenue over expenses of \$127,300.

### ANGUS FOUNDATION

The financial status of the Angus Foundation for the 10-month period ending July 31, 2007, was reviewed.

The FY 2008 budget was approved, with revenue and operating expenses of \$2,135,600 and \$1,104,375, respectively, and net income of \$1,029,225.



The budget included \$25,000 to implement a new Angus Foundation Graduate Student Scholarship Program focused on helping individuals with extensive Angus involvement pursue graduate degrees. Recommended guidelines and application procedures were discussed and approved. These will be available on the Angus Foundation's web site beginning Dec. 1.

As part of the budget, the Board approved a funding request for \$30,000 from the National Cattlemen's Foundation (NCF) for development and implementation of a reproduction module in the NCF's web site Cattle Learning Center distance education program for Angus breeders and beef producers.

A proposed policy relative to naming rooms in the American Angus Association headquarters at Saint Joseph, Mo., was discussed and tabled.

Staff briefed the Board on current and future Angus Foundation activities and programs.

Staff updated the Board on 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.

### ANGUS GENETICS INC.

Guest speaker Jerry Taylor, University of Missouri, provided an overview of whole genome selection strategies in beef cattle.

Company activities were summarized, and the company name was discussed relative to the alias naming as Beef Improvement Co. It was approved to remove the alias Beef Improvement Co. and use only the company name, Angus Genetics Inc.

Timeline for operations of AGI was discussed, and the budget report was addressed relative to projected income. It was approved to revise the budgeted income for AGI to reflect potential business

growth. The budget for FY 2008 was approved.

The fee structure for services offered by AGI was discussed. An initial statement of policies was drafted and discussed by the AGI Board and Association Board members.

The Initial Statement of Policies for AGI was presented and approved.

*Initial Statement of Policies:*

*Angus Genetics, Inc. (AGI)*

- ▶ AGI will contract with approved breed organizations for the purpose of providing genetic evaluation services for animals maintained with their respective breed organizations.
- ▶ AGI will contract with approved entities to develop and promote technology for use by the beef industry, including DNA technology.
- ▶ AGI will not maintain a registry.
- ▶ AGI will not register any animals.
- ▶ AGI will not issue registration certificates.
- ▶ AGI will not contract to provide genetic calculations to individual breeders.

### BOARD OF DIRECTORS ACTION

The Board adopted as policy a Code of Ethics and Conduct for Non-Employee Officers and Members of the Board of Directors and a Code of Ethics and Conduct for Employees of the Association and its wholly owned subsidiaries.

The report of the AngusSource Task Force was tabled until the November Board meeting to allow for further analysis of information.

The report of the Red Angus Task Force concluded that the Association should take no action relative to requests regarding Red Angus cattle.

A Task Force committee was appointed and approved to study the positions of the presidents of CAB, API, the Angus Foundation, and AGI in relation to those individual Boards of Directors, respectively. The Task Force is comprised of Jarold Callahan, chairman; Al DeClerk; Steve Olson; Rob Thomas; Richard Tokach; and Cathy Watkins. Staff advisors are John Crouch and John Stika.

### NEXT BOARD MEETING

Nov. 10 & 13 in Louisville, Ky.

