



Board Action

► Highlights of the Feb. 21-23, 2007, meeting of the American Angus Association Board of Directors

Board conducts February 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., Feb. 21-23, 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

NJAS. The Board of Directors approved the following items in reference to improving the effectiveness of the National Junior Angus Show (NJAS), many of which were recommended by the NJAS Task Force.

- Staff will develop a comprehensive NJAS planning manual.
- Entry fees will be determined by the staff of the American Angus Association and will include bedding fees for stalling in the barns and tie-out areas.
- The American Angus Association staff will develop a "Chart of Accounts" as well as select an accounting software to be used by the hosting state for financial records for each NJAS.
- Staff will investigate the options available for performing a survey that would explore the demographics of the attendees; provide information relevant to the economic effect of the show on the area; and explore the interests and desires related to the programs, contests and events currently offered at the NJAS.
- Staff will explore provisions for providing additional educational opportunities through hands-on workshops, seminars, etc. These programs will be at the discretion of the hosting organization or the National Junior Angus Association (NJAA) Board of Directors. These additional activities will be funded by the hosting organization.
- Staff will continue the development of communication tools to enlist the support and involvement of the state advisors and their states in NJAA programs and the NJAS.
- The Junior Activities Department will work with the Angus Foundation to establish a national funding program.
- Cattle and showmanship judges will be selected by the Activities & Events Committee of the American Angus Association and approved by the American Angus Association Board of Directors.
- The American Angus Association will provide funding for the junior social at the NJAS.
- Two one-page advertisements in the *Angus Journal*, four Angus e-Lists, two banner ads and coverage via the NJAS web site will be furnished at no cost to the host organization.
- Guidelines will be recommended regarding the decorations (showring and facilities), gifts, meals or any other items furnished by the hosting organization.
- The hosting organization will be financially responsible for any special events they choose to provide as a part of the NJAS (i.e., exhibitor gifts, decorations, meals, opening ceremonies activities, etc.). The hosting organization is not expected nor encouraged to provide meals for the attendees.
- Communication will be directed to the membership that funding for the NJAS from the American Angus Association includes allocations for staff lodging, travel expenses and salaries, etc., associated with the NJAS.
- RFD-TV coverage of the NJAS will be explored.
- It is recommended the Queens' Activity expense not exceed the \$3,000 allocated by the American Angus Association.

NWSS. Tentative dates for the Angus events at the 2008 National Western Stock Show (NWSS) are Jan. 15-19. Ultrasound measurements will be taken on all cattle at the 2008 NWSS.

Entry fees will be increased for the National Western Angus Bull Sale and will be \$400 prior to the Sept. 15 deadline; \$450 prior to the Oct. 1 deadline; and \$500 for any late entries. The maximum number of bulls to be consigned to the bull sale is two per consignor or family. Yearling weight expected progeny differences (EPDs) for bulls entered in the bull sale must at least meet the breed's average for non-parent sires. Dollar value indexes (\$Values) will be included in the National Western Bull Sale sale book.

Shows. Judges for the 2007-2008 ROV shows were selected, and selections will be sent to the respective shows so the shows can contact them.

Calves must be no older than 280 days on the day of the show in the cow-calf classes for open and junior Angus shows.

BREED IMPROVEMENT COMMITTEE

Mark Allan of the U.S. Department of Agriculture (USDA) Agricultural Research Service (ARS) Roman L. Hruska Meat Animal Research Center (MARC), Clay Center, Neb., provided an overview of the current industry DNA marker tests. Staff reported on the potential to archive test results at the Association and discussed strategies for future use of DNA technology as part of genetic improvement.

It was unanimously approved to release heifer pregnancy EPDs on sires with a minimum 0.30 accuracy in a special research report. Plans are to provide breeders with highlights of the research and a deadline for submitting breeding records in order to be included in the evaluation release.

Staff provided an update on the data received at the Association from approved ultrasound interpretive labs. Ultrasound Guidelines Council (UGC) activities were reported.

Discussion was held to consider combining carcass and ultrasound databases for calculation of a single set of EPDs. The Beef Improvement Federation (BIF) has appointed a special committee to develop guidelines for standardized

reporting of end product EPDs in the industry. Plans are to review the topic at the June Board Meeting.

Highlights of the ongoing projects conducted by the National Beef Cattle Evaluation Consortium (NBCEC) were presented. The status of the multi-breed production run conducted by the NBCEC for other breeds was discussed, along with educational programs in genetic improvement. Comments were made regarding the NBCEC's request for permanent funding through the ARS.

A review of the Association's continuing multi-breed evaluation research was given. Software alternatives for future genetic evaluation procedures were discussed. Strategies for modeling within breed and multi-breed research runs at the Association were reported.

An overview was provided on research projects conducted within the Association and with cooperating institutions. Topics included stayability, temperament, age-of-dam adjustments, and disposal/reason codes for reproductive research.

FINANCE & PLANNING COMMITTEE

Balance sheets and income statements were reviewed. The financial review included the consolidated financial reports and the financial reports for the four-month period ending Jan. 31, 2007.

Total assets on the consolidated financial report are \$30,579,000, consisting of current assets of \$5,262,000, investments of \$20,742,000 and property and equipment of \$4,332,000. The investment portfolio is a diversified portfolio with 62% in equities and 38% in fixed income securities. The return on investment for calendar year 2006 for the equities portion and fixed income portion of the portfolio is 7.8% and 4.7%, 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 \$1,760,000, consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities consist of \$1,150,000 of deferred income, accrued health insurance benefits and deferred compensation. The net income

for the period ending Jan. 31, 2007, is \$2,486,000.

Staff was directed to present AngusSource® as a separate department for financial reporting purposes beginning with fiscal year (FY) 2008. Staff was also directed to study legal issues, liability issues and governance issues regarding the structure of AngusSource.

The Finance Committee reviewed the investment portfolio of the American Angus Association, its subsidiaries and affiliates. This review included investment policy, activity in the accounts, account balances, performance information on individual accounts and managers, and diversification of the portfolio. The total return for the entire consolidated portfolio for calendar year 2006 is 6.6%.

The committee discussed the distribution from Certified Angus Beef LLC (CAB) anticipated in the 2007 budget of the American Angus Association.

The following items were discussed.

- ▶ The IRS reimbursement rate for mileage changed Jan. 1, 2007, from 44.5¢ to 48.5¢.
- ▶ The status of budgeted capital projects at Association headquarters was discussed.
- ▶ Changes in financial reporting formats for the Angus Foundation and Angus Productions Inc. (API) were reviewed.

Gary Frazer, a partner in the CPA firm, Clifton Gunderson, met with the Finance Committee. He commented on changes in the accounting profession that will result in an expanded review of internal controls and will incorporate additional operational audit procedures. Some of these changes are expected to be incorporated in the 2007 audit, with full implementation of the new audit guidelines during the 2008 audit.

INDUSTRY RELATIONS COMMITTEE

Several educational events have occurred, including Cattlemen's Boot Camps, Outreach Seminars and webcasts. Staff continue to plan future Boot Camps and the National Angus Conference & Tour as well as explore more cost-efficient online educational opportunities.

Priorities First: Identifying Management Priorities in the Commercial Cow-Calf

Business, by Tom Field, Fort Collins, Colo., was released at the 2007 Cattle Industry Annual Convention and NCBA Trade Show in Nashville, Tenn. To date, 900 copies have been sent to individuals, universities and state cattlemen's groups.

Staff updated the committee on the status of the National Animal Identification System (NAIS), stating that it will remain a voluntary program.

AngusSource enrollment trends and customer feedback are both positive. Following CAB's lead, National, Swift, Cargill and Smithfield have changed the G-schedule of their house Angus brands to include AngusSource as a way for cattle to qualify genotypically. National, Tyson and Swift have all modified their quality systems assessment (QSA) programs to allow for implementation. National has passed the on-site USDA audit.

Two animal health companies have expressed interest in working with AngusSource as a "preferred partner" on health verification. AngusSource will not require producers to verify their health protocols through any program, but if working in partnership, joint promotion and producer education would be possible. Staff presented options to work in a preferred partnership with one company or work with multiple companies in a limited capacity. Staff will report back to the committee regarding proposals from both companies.

Cost projections for three levels of AngusSource producer participation were presented to the committee. The projections were based on current cost structure with adjustments being made based on experience.

Graphic Arts of Topeka presented an overview of how the firm develops the national advertising campaign for the Association. Graphic Arts will be conducting research and developing creative concepts to present to the committee at the June Board Meeting for the next national ad campaign.

INFORMATION & DATA MANAGEMENT COMMITTEE

Current Information Systems (IS) programming projects and progress on the new ProRodeo development were reviewed.

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The main functions of the in-house and Association Login ProRodeo applications are programmed. Testing and further enhancements will continue for several months. The focus has been shifted to reviewing the core functions in the Angus Information Management Software (AIMS) program and converting them to the new ProRodeo system.

Interest continues from breeders on the availability of a portable version of the AIMS software targeted for personal digital assistants (PDAs). Examples of a Windows version of the AIMS RanchHand software package were previewed. Continued development was approved on the AIMS RanchHand software, exploring potentially necessary software license fees and the potential sale price, with a complete report to be presented at the June meeting.

An update was provided on the current DNA parentage verification program. The status and terms of the contract renewal with the current DNA test provider were outlined. Discussion was held on a proposal from another provider for parentage verification using SNP technology, with a request for further exploration of using the SNP technology for parent verification to be reported at the June meeting.

Stemming from a breeder's request to access cow production records of non-owned animals, background information and the data access policy were reviewed. Produce of dam summaries are available only to the current owner or previous owner of a cow. Discussion also centered on providing the ability to sort the entire Angus database online, but the size of the database and potential usage of this type of service provide technology challenges that are not feasible to address at this time.

The committee reviewed a letter submitted to the Board of Directors from a breeder requesting a change in how immediate family is defined as it applies to the rules governing artificial insemination (AI). After discussion of the proposal and a review of the rules and procedures regarding current AI certificate exemptions, no action was taken.

A letter provided to the Board from a breeder requesting optional printing of some performance values on registration certificates was reviewed. Background on the transition to the current performance registration certificate (PRC) was discussed, and no action was taken.

A request to evaluate additional options for electronic transfers of registration certificates was discussed. After

consideration of the options that exist for transfers, there was unanimous approval to suspend the fees for electronic storage of printed registration certificates with dates set at the discretion of staff.

CERTIFIED ANGUS BEEF LLC

Through the generous support of *Certified Angus Beef*® (CAB®) licensees, five Colvin Scholarships have been awarded this year (see "CAB Brand News," page 158).

A review of cattle supply and sales numbers through January 2007 showed that sales are up by 2% over the previous year.

The President reported on recent supply development activities in Texas and South Dakota, along with media coverage received on the recent CAB white paper. He also reported on the recent Cattle Industry Annual Convention and the attention beef quality had received at the meetings.

A policy was approved regarding how CAB would consider other USDA Process Verified Program (PVP) tagging programs similar to AngusSource that may approach the CAB program.

The Board suspended the 2% distribution that is paid monthly to the Association, effective Feb. 1, 2007, through Sept. 30, 2007. The distribution to the Association in future years will be considered each fiscal year at the June Board Meeting when preliminary budgets are reviewed.

Recent valued-added product marketing highlights, target market activities, and a MasterCard commercial featuring the CAB brand were reviewed. CAB was approached by MasterCard's agency and had no financial commitment for the brand exposure.

A recap of the supply effect of the specification adjustments showed that initial certification (based on two weeks of acceptance data) reflected a 19.6% increase in supply. Implementation at the plants as well as the kernel fat data results, reflected no change on the incidence of excessive kernel fat.

The current maximum supply of CAB product is estimated between 625-720 million pounds (lb.) of product annually. Discussion of five-year predictions questioned whether it would even be possible to achieve 1 billion lb. of supply based on current trends and cattle certification models.

ANGUS PRODUCTIONS INC.

The API financial report ending Jan. 31, 2007, showed year-to-date total revenue of \$2,654,803.06 and total expenses of \$2,544,352.35. An income tax adjustment of

\$5,693 resulted in excess revenue over expenses of \$104,757.54.

A five-year agreement with Quebecor World, printer of the *Angus Journal*, was approved. The agreement will go into effect with the March 2007 issue.

Beginning with the September 2007 issue, MidStates Printing of Aberdeen, S.D., will print the *Angus Beef Bulletin*.

A request from the NJAS Task Force was approved to provide the hosting organization of the NJAS with two pages of advertising in the *Angus Journal*, four e-List advertisements, and two banner advertisements at no cost.

ANGUS FOUNDATION

A revised Spending Policy for Scholarships and Awards was approved.

A standardized agreement was approved for donor(s) who wish to establish permanent Angus Foundation endowment funds in the future.

To date, more than \$3.1 million in cash gifts, pledges and planned giving commitments has been dedicated to the Vision of Value: Campaign for Angus.

BOARD OF DIRECTORS

The Board of Directors established a Compensation Committee, to be composed of the Board president, vice president and treasurer, to annually review the compensation and benefits of the professional staff of the Association and its wholly-owned subsidiaries. The Board also passed a resolution requiring such review to be carried out in a confidential fashion.

The Board received and placed on its agenda for consideration in June draft Codes of Ethics and Conduct for the officers, the Board Members and all employees of the Association and its wholly-owned subsidiaries.

The Board also considered a letter from a member of the Association requesting that the Association accept 1A Red Angus in the Herd Book of the American Angus Association. Following a thorough discussion, the Board took no action.

The Board considered and discussed a request to amend or relax its ownership rules for use in junior Angus shows sponsored by the Association where the animal was owned by a trust. Following a thorough discussion, no action was taken.

NEXT BOARD MEETING

June 12-15, 2007, Santa Fe, N.M.

