

New Company Unveiled

Angus Genetics Inc. officially launched Oct. 1.

by *Shauna Rose Hermel*

Angus Genetics Inc. (AGI), the newest wholly owned subsidiary of the American Angus Association, officially opened its doors for business Oct. 1.

Those sitting on AGI's founding Board are Richard Tokach, North Dakota, chairman; John Crouch, vice chairman; Bill Bowman, president; Jarold Callahan, Oklahoma; Bill Davis, Montana; Joe Hampton, North Carolina; Jay King, Illinois; Robert Schlutz, Iowa; and Gordon Stucky, Kansas. Named president of the new organization is Bill Bowman, vice president of information and data programs and director of performance programs for the American Angus Association.

The *Angus Journal* queried some of these leaders about the new entity and its future role. Here are their insights.

What spurred the creation of AGI?

Bowman: AGI evolved as a result of ongoing input from registered seedstock suppliers and others in the beef industry who stressed the need for more accurate evaluation tools for all Angus genetics. Traditionally, land-grant universities developed genetic evaluation systems and performed analyses; however, it is projected that by 2009, land-grant universities will discontinue this service to breed associations. Companies are now being formed to conduct these evaluations.

Tokach: In nearly every Board meeting since I have been on the Board the need for a true multi-breed genetic evaluation has been discussed between individual Board Members, during Breed Improvement Committee meetings or before the full Board. As time went on, the discussions in committee and at the full Board level grew longer and more intense. In February 2006, the American Angus Association Board passed a motion to set up a separate entity to provide genetic evaluation services to approved breed organizations.

Finally, in June 2007, several other factors came into play that convinced the Board to approve a task force to create the new company. Some of those contributing factors included the availability

of software capable of doing a multi-breed genetic evaluation; the fact other breeds were actively soliciting partners to run their own multi-breed evaluations in which Angus would be the common denominator; and the need for a separate entity to handle a cutting-edge DNA research project.

What is the purpose of AGI?

Tokach: AGI was formed to perform genetic evaluations, conduct research, and develop and prove new science and technology to benefit all producers who use Angus genetics. The company's objectives are: (a) to provide services to the beef industry that would assist in the genetic evaluation of cattle traits; (b) to develop DNA and other technology that would be beneficial to Angus breeders and the cattle industry in general; and (c) to do any and all things necessary to accomplish these purposes.

Davis: AGI is a vehicle through which we can work with other entities and organizations on new technology and genetic evaluation. I really think the main purpose of AGI is to explore new technology, such as DNA, that is evolving and that will continue to evolve. It gives us a chance to contract and work with learning institutions and other entities and still have a corporate liability shield between AGI and the parent organization.

Will AGI be competing with other breed associations?

Bowman: Other breed associations would be our customers. We would be providing a service to them, not competing with them. It is a service many of them have asked the American Angus Association to provide for years.

Will AGI be registering cattle?

Bowman: No. That's spelled out in the policies that were adopted at the September

2007 Board meeting (see Table 1). AGI will not maintain a registry, register animals or issue registration certificates.

Will AGI be promoting other breeds of cattle?

Bowman: We're not promoting them or their products. We're just providing them a service, ultimately genetic evaluation for their animals — providing the numbers for genetic prediction.

Critics would argue that if other breeds didn't have those numbers, Angus would have an advantage. What's your response?

Bowman: They are going to have numbers. We either remain in the leadership position and provide the information to the industry or compete with those who will. Would you rather us provide services to the other associations and industry, or would you rather have a large corporate entity — who may not share the information with you — get involved in the business? The biggest advantage to Angus members for AGI taking a leadership role is it allows us to identify and direct some of the research in areas we want to pursue, rather than letting corporate industry direct it all.

How is AGI governed?

Tokach: AGI will be governed with a nine-member Board elected annually by the American Angus Association Board of Directors. The AGI Board is modeled after our existing Certified Angus Beef LLC (CAB) Board, which allows up to two industry persons to serve on the AGI Board if elected by the American Angus Association Board.

For me, this provision recognizes that as AGI grows, develops and enters new fields of technology, it may be desirable to have individuals serve on the AGI Board that have expertise in fields in which Association Board members typically are not trained.

Will the new company require additional staff?

Bowman: AGI initially will operate with staff and resources realigned from within the American Angus Association. The business is structured to



provide the revenue streams to support additional staffing needs if and when those needs arise.

AGI is set up as a for-profit subsidiary. How are expectations different than for that of a nonprofit subsidiary, such as CAB and the Angus Foundation?

Tokach: Like Angus Productions Inc. (API), AGI will be selling products and services. CAB operates on royalty income received from licensees, while the Angus Foundation operates on donations and interest income. While it will be the AGI Board's decision, profits will likely be invested several ways, including research to benefit Angus breeders and ultimately the beef cattle industry; grants to the Angus Foundation; and for programs and services developed and promoted by the Association.

Stucky: AGI's business structure will price its services competitively in the beef industry and with equivalent companies that might be out there. We have an inherent advantage with the experience we have in performing genetic evaluations, since we are the largest beef breed organization in the world. When we look at that for-profit structure, we have to be competitive, yet our services need to be of a very high standard, and we hope to generate profit for AGI and, in turn, benefit the American Angus Association and its membership.

How will AGI generate revenue?

Bowman: Short term, revenue sources will be from genetic evaluation services provided to other breed associations. Longer range, the implementation of new technologies to the Angus industry provides opportunities for revenue streams that nobody has dreamed of yet.

Will American Angus Association members contribute funding to AGI through their dues or by other means?

Bowman: The Association capitalized AGI for its formation, providing the initial seed money as was done for CAB and API. For its genetic evaluations, the American Angus Association will be a customer of AGI, so the Association will pay AGI for those services.

What types of projects will AGI be involved in?

Stucky: A key part of this company will be the findings of ongoing research projects for traits that can be used in future genetic evaluations. Specifically, traits such as feed efficiency, temperament, udder quality and so on will continue to come along that AGI will want to research, evaluate and then calculate into an expected progeny difference

Table 1: Initial Statement of Policies, Angus Genetics Inc.

- ▶ 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.

The above policies were established at the AGI Board of Directors Meeting Sept. 5. Those sitting on AGI's founding Board are Richard Tokach, North Dakota, chairman; John Crouch, vice chairman; Bill Bowman, president; Jarold Callahan, Oklahoma; Bill Davis, Montana; Joe Hampton, North Carolina; Jay King, Illinois; Robert Schlutz, Iowa; and Gordon Stucky, Kansas.

(EPD), dollar value (\$Value) or some other form of reporting.

DNA and genomic research will play a significant role in the future of beef cattle evaluations. Cutting-edge technology that is proven through research projects sponsored by the American Angus Association will be vital to the success of AGI.

When you say genetic evaluations, how does that work?

Davis: Other breed associations will collect data like they are now and periodically send it to AGI. AGI would conduct the genetic evaluation and return that information to the customer breed association, which would then disseminate the information as they do now.

Those breeds would send their information to AGI just like they do now to the learning institutions. That gives us an opportunity for revenue. We can charge for that just like the learning institutions charge for it now.

Bowman: It would be similar to how we have processed data for the Canadian Angus Association since June 2000. Twice a year they send us a big file batching their pedigrees, weights and measures; we run the evaluation; and we send them a big file containing expected progeny differences. That's the same format we'll use with other customers. It doesn't involve any daily service or customer support for individual breeders.

Davis: The beauty of that, of course, from my standpoint, is that we would be conducting the multi-breed analysis. And my definition of multi-breed evaluation is whole breeds running their data on the same playing field, on the same software, on the same formula.

How does the data interact with our data? Will it affect our numbers?

Bowman: That's where it becomes customizable. The Canadian data currently does, and thus it expands our database. If a

breed association is running data separately through a learning institution and wants the data to look the same as it does now, AGI will process it separately. But if they want an across-breed comparison, with multiple breeds evaluated on the same basis, we'll be able to provide that, too.

What competitive advantages do members gain through the Association's creation of AGI?

Bowman: Angus represents a large genetic footprint in both the seedstock and commercial segments of the beef industry, as well as the food chain. While the American Angus Association is the world's largest beef cattle registry, Angus influence in other U.S. beef breed registries is reported to be as high as 50% of total registrations where percentage, hybrid or composite cattle can be recorded. Angus breeders have a vested interest in the accurate portrayal of those genetics. A genetic evaluation process using the largest, most influential genetic database ultimately provides the beef industry with more reliable genetic information.

AGI was formed to conduct research and to develop and prove new science and technology to benefit all beef producers using Angus genetics. Providing decision tools to the industry positions the American Angus Association in a positive leadership role. If it is good for the commercial producer and the industry, then it will be good for the Angus breed.

The American Angus Association and its members maintain a distinct competitive advantage by being able to provide these tools to the industry, ensuring their accuracy and accessibility to all.

Will this take focus away from the core duties of the American Angus Association or in any way make the Association less efficient at handling its current tasks?

Stucky: In no way will it take away from member services or the purity and

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promotion of the Angus breed. The focus of the American Angus Association is to serve the membership of the Association, and our top priority is to promote the use of registered Angus bulls and females within the beef industry.

There is a great misconception floating around our membership right now that in some way AGI is going to de-value Angus genetics or that the Board of Directors is trying to promote something other than registered Angus genetics. There's not a single person of our 15-member Board who in any way wants to de-value Angus genetics. We're here for our membership, and we're here for registered Angus genetics.

How will American Angus Association members benefit from AGI's participation in conducting genetic evaluations for other breeds?

Stucky: For American Angus members, if AGI is in the leadership role in genetic evaluation for the beef industry, family farms and ranches will continue to have access to the most accurate and unbiased genetic predictions available.

Other breeds and entities will print some form of EPDs or values, whether we calculate them or not. The philosophy of AGI is to lead the industry with a system that will equally compare all breeds of cattle. This equal comparison will benefit Angus breeders by allowing our customers to fairly evaluate their genetic merit. Allowing other

systems or companies to manage genetic evaluations could result in a disastrous misleading of our customers, or a withholding of critical information needed in genetic selection.

AGI was formed with the intent to help the beef producer. We're vested in the accuracy of the data and the simplicity in which it is reported so beef producers can understand it, use it and become more profitable. If beef producers are more profitable, Angus breeders will be more profitable.

Tokach: Evaluating all breeds on an equal and level playing field will expand the marketing opportunities available for Angus breeders. Angus breeders, better than anyone, realize the power of the genetic measures contained within our AHIR® (Angus Herd Improvement Records) database if used correctly. A multi-breed genetic evaluation will enhance and strengthen our database as we measure the genetic and economic contributions that Angus genetics provide to seedstock registered by other breed associations.

Research conducted at the U.S. Meat Animal Research Center (USMARC) and elsewhere reinforces the thoughts that many Angus breeders already have. Angus genetics, on average, perform at the same or higher levels for both pre- and postweaning growth with significantly less birth weight and greater calving ease than other breeds. No other breed can compete with the

marbling advantages of Angus genetics. The Angus female is, unquestionably, far superior in her ability to adapt and excel within the different environments found worldwide.

Almost daily, the beef cattle industry is bombarded with messages touting the advantages of a planned crossbreeding system. While these systems may offer some advantages in the lowly heritable traits that the cattle industry is only beginning to develop selection tools for, they fall woefully short in a real-world environment. Planned crossbreeding systems that appear precise and well-thought-out on paper are seldom workable because of environmental, management or economic reasons.

The real industry experts are the commercial cattle producers of this country who raise a family, send kids to college, pay for a ranch and put something away for retirement from the income their cow herd generates. We are finding that more of the real industry experts are moving away from crossbreeding systems and into a straightbred-Angus program because of simple economics. Angus genetics stacked generations deep are simply more profitable. With the data gleaned from a multi-breed evaluation, the American Angus Association should be able to offer improved or new selection tools to enhance the profitability of the primary users of Angus genetics, commercial cattle producers.

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Angus Activities Announced for 2008 National Western Stock Show

Five days of Angus events, including the 2008 National Angus Show, junior heifer show, pen and carload show and the National Western Angus Bull Sale are planned during the 102nd National Western Stock Show (NWSS) in Denver, Colo. Angus events kick off Tuesday, Jan. 15, and happen daily through Saturday, Jan. 19.

Angus activities begin Tuesday, Jan. 15, with the junior heifer show, which begins earlier in 2008, at 1 p.m., in the Stadium Arena. Cody Sankey, Lansing, Mich., will evaluate the junior show.

The Super-Point Roll of Victory (ROV) Show will serve as the 2008 National Angus Show. The female show will begin at 8 a.m. Wednesday, Jan. 16, in the Stadium Arena. The ROV bull show begins at 8 a.m. Friday, Jan. 18. Doug Satee, Montague, Texas, will judge the National Show.

On Thursday, Jan. 17, sale bulls take the stage, with judging in the Stadium Arena at 8:30 a.m., followed by a viewing of all sale consignments. Rick Blanchard, Firebaugh, Calif.; Scott Bush, Britton, S.D.; Mike Jones, Folsom, La.; Mike McGuire, Waverly, Ala.; and Cheramie Viator, Franklin, Texas, will evaluate the 32 lots. The sale begins at 2 p.m. in the Beef Palace Auction Arena, and will be broadcast via the Internet at www.liveauctions.tv. A sale book can be viewed online at www.angusjournal.com or requested by calling the American Angus Association. The sale of the 2008 Angus Foundation Heifer Package will precede the bull sale. Eddie Sims, Elgin, Okla., will serve as the auctioneer.

Thursday evening, Angus enthusiasts will gather at the Angus Reception at the Denver Marriott City Center — Downtown. The reception begins at 6:30 p.m.

Angus activities conclude Saturday, Jan. 19, with the pen and carload shows in the yards. The event begins at 8:30 a.m. in the Livestock Center Auction Arena. Rance Long, Baker City, Ore.; Brian Barragree, Absarokee, Mont.; and Matt Perrier, Eureka, Kan., will officiate the group competitions.

An Angus "Listening Post" will again be located in the Yards. Be sure to stop by the tent for a cup of coffee. The Listening Post is available for visitors Wednesday through Saturday. Association members and commercial cattle producers are encouraged to stop by the Angus tent in the yards to talk about current beef industry issues, visit with Association staff, ask questions and exchange ideas.

In addition, the Angus booth on the hill will have the latest Association publications, and Association staff will be available to visit there.

Hotel reservations for the NWSS can be made by calling the Marriott City Center, which serves as Angus headquarters for the event, at 303-297-1300. A room rate of \$90 plus tax has been negotiated for the Angus group. Reservations must be made by Dec. 27.

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