

ANGUS

THE BUSINESS BREED

AMERICAN ANGUS ASSOCIATION®

HIGHLIGHTS OF THE MEETING OF THE BOARD OF DIRECTORS

FEBRUARY 23-26, 2021

The following is a review of topics discussed and action taken during the meeting of the Board of Directors held February 23-26, 2021, in St. Joseph, Missouri.

BREED IMPROVEMENT COMMITTEE

- Alan Miller moved, seconded by Darrell Stevenson to approve updates to the Breed Improvement Committee description. The motion was unanimously approved.
- The committee received an update on collecting teat and udder scores. The scores will be on the 1 – 9 scale, recommended by the Beef Improvement Federation.
- The importance of correct disposal codes for genetic evaluation was discussed. Members will have the opportunity to submit more detailed disposal codes for calves at birth, weaning, and yearling, and cows and bulls.
- Options to recognize traits with phenotypic data submitted were discussed and staff was directed to evaluate options.
- The Docility EPD was reviewed and there was discussion regarding collecting weaning docility scores in addition to yearling docility scores. Staff was directed to implement the collection of docility scores at weaning.

COMMERCIAL PROGRAMS COMMITTEE

- Jerry Connealy moved, seconded by Dave Hinman to approve updates to the Commercial Programs Committee description. The motion was unanimously approved.
- The committee received an AngusLinkSM business update. For the fiscal year to date enrollments are up 61%, with every program category up compared to last year. Premiums on AngusLinkSM enrolled calves through video auctions were higher as well on a year to year comparison.
- A new feed yard PVP is being developed and will be rolled out in the summer of 2021.
- A discussion was held on strategies to grow AngusLinkSM and the competitive environment in which it is operating. Validation and proof of concept tactics will continue while the program reaches out to seedstock producers to help drive enrollments.

COMMUNICATIONS AND PUBLIC RELATIONS COMMITTEE

- Mike McCravy moved, seconded by Jerry Theis to approve updates to the Communications and Public Relations Committee description. The motion was unanimously approved.
- The National Ad Campaign and the initiative to drive registered Angus cattle was reviewed.
- The committee discussed how different audiences use Angus.org and the need for reorganization of content.
- The committee heard a presentation on the growth in viewership time on the AngusTV YouTube channel. The results confirm the strategy to go to an on-demand platform of

content vs. broadcast television. Further development and content creation will continue to drive reach to our audience.

EVENTS AND EDUCATION COMMITTEE

- Jonathan Perry moved, seconded by Chuck Grove to approve updates to the Events and Education Committee description. The motion was unanimously approved.
- Jonathan Perry moved, seconded by Chuck Grove to approve the following five Super Roll of Victory (ROV) shows; Fort Worth Stock Show, Atlantic National, North American International Livestock Expo, Western National Angus Futurity, and American Royal. The motion was unanimously approved.
- Chuck Grove moved, seconded by Jonathan Perry to recognize the Tennessee ROV show location change to Wilson County Fairgrounds. The motion was unanimously approved.
- Mark Ahearn moved, seconded by Jonathan Perry to make the 2022 Cattlemen's Congress a Super ROV Show with the National Angus Bull Sale and a pen show, and to make the 2022 National Western Stock Show a Super ROV show with a pen show and a modified schedule. The motion was unanimously approved.
- Jonathan Perry moved, seconded by Chuck Grove to approve the slate of judges for the 2021-2022 ROV shows. The motion was unanimously approved.

FINANCE AND PLANNING COMMITTEE

- Balance sheets and income statements for the period ending January 31, 2021 were reviewed. Total assets on the consolidated financial report were \$74,287,600, consisting of current assets of \$13,280,300, investments of \$50,433,200, property and equipment of \$9,851,800 and non-current assets of \$722,300. The investment portfolio was reviewed including the restricted nature of much of the investments. \$36,087,000 of the consolidated investments are restricted for specific purposes including \$23,606,860 restricted in the Angus Foundation portfolio. Current liabilities were \$5,162,900, consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$1,839,600 consisted of accrued health insurance benefits and deferred compensation. Net income for the period ending January 31, 2021 was \$7,490,100. Barry Pollard moved, seconded by Jim Brinkley to approve the financial report. The motion was unanimously approved.
- The committee discussed the annual audit of Association records. Alan Miller moved, seconded by Barry Pollard to use CliftonLarsonAllen, LLP for the annual audit of the American Angus Association and its subsidiaries. The motion was unanimously approved.
- The investment portfolio was reviewed and consisted of 67.6% equities and 32.4% fixed income securities. Consolidated investment income year to date through January 31, 2021 was \$3,450,600. The return on invested balanced portfolio models fiscal year to date was a positive 9.37%. The return on invested fixed income portfolio was a positive 1.75% through January 31, 2021. Year to date, through January 31, 2021, there were zero withdrawals out of the portfolio of the Association and its subsidiaries.
- The committee discussed the reserves of the Association and the desire to not be overly dependent on investment income to cover operational expenses. The committee reviewed cost reductions experienced in the past eighteen months. Budgeted expenses for the current fiscal year are 12% less than fiscal year 2019. It was noted that while some are COVID-related and temporary in nature, others are management driven and will extend long term. After discussion, the committee recommended a registration fee increase to the Association Board.

MEMBER SERVICES COMMITTEE

- Richard Dyar moved, seconded by Jerry Theis to approve updates to the Member Services Committee description. The motion was unanimously approved.
- The committee reviewed documents relating to an issue between a buyer and a seller. No action was taken.
- A report was provided by staff regarding the submission of raw data to the Association.
- Staff gave a report on past and current protocol regarding the incidence of scurs.
- Staff presented issues regarding registration eligibility for animals with red ancestors registered domestically and with foreign Angus Associations and Societies. Rule 103.c was discussed. It was moved by Richard Dyar, seconded by Jerry Theis to accept the potential rule change (see below). The motion was approved with a vote of three (3) in favor, one (1) opposed.

Rule 103 Animals Ineligible for Registration

c. Skin color. The skin color of all animals for which application for registration is made must be BLACK, except that animals having birthmarks or white hairs on black skin may be eligible for registration. An animal red in color, ~~or whose ancestor(s) are red in color,~~ or with white skin above the underline, in front of the navel or on leg, foot, or tail, shall not be eligible for registration. To be eligible for registration, an animal whose ancestor is purebred Angus but red in color, must have a genomic profile including being free of all known genetic conditions and must be proven by DNA testing to be homozygous black.

In the event that a registered animal is discovered to be red in color or to have ineligible white skin, its registration shall be null and void, and the Certificate of Registration must be returned to the Association for cancellation.

- Staff presented a summary of past board discussion relating to AI certificates. Mick Varilek moved, seconded by Charles Mogck to recommend full board discussion regarding AI certificates. The motion was approved with a vote of three (3) in favor, one (1) opposed.

RESEARCH PRIORITIES

- Jonathan Perry moved, seconded by Alan Miller to approve updates to the Research Priorities Committee Description. The motion was unanimously approved.
- The Committee reviewed six different research proposals and recommended action on two.
- Barry Pollard moved, seconded by Jonathan Perry to recommend funding from Association reserves earmarked for research for the final phase of research surrounding cow production tool targeting longevity. The motion was unanimously approved.
- Allan Miller moved, seconded by Jonathan Perry to recommend funding from Angus Genetics Inc (AGI) research funds for the first year of a project targeting the use of precision technologies and genomics to breed heat tolerant Bos taurus cattle. The motion was unanimously approved.

ANGUS FOUNDATION

- A financial report for the Angus Foundation was presented. Total assets at January 31, 2021 were \$24,890,100, and consisted of current assets of \$486,300, and investments of \$24,403,800, of which \$23,606,900 is restricted. Current liabilities were \$22,000 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$22,800 consisted of accrued health insurance benefits. Net income for the period ending January 31, 2021 was \$1,467,000.
- Richard Dyar moved, seconded by Tom McGinnis that minutes of regular and executive

session Foundation Board meetings may be presented for review, amendment and approval through an online Board portal. The motion was unanimously approved.

- Staff provided the Board with an update on activities of the Foundation including direct mail campaigns, an employee giving option, Angus Annual Meeting, Cattlemen's Congress and the Talon Internship Program.
- Directors Richard Dyar and Jim Brinkley volunteered to serve on the Commercial Cattlemen Scholarship Selection Committee.
- Director Tom McGinnis volunteered to serve on the General Scholarship Selection Committee.
- The Board agreed to generate prospects for the Industry Representative vacancy on the Angus Foundation Board and to begin the process of building a strategic plan.

ANGUS GENETICS INC.

- James Coffey moved, seconded by Mike McCravy that minutes of regular and executive session Angus Genetics Inc (AGI) Board meetings may be presented for review, amendment and approval through an online Board portal. The motion was unanimously approved.
- A financial report was presented. Total assets at January 31, 2021 were \$1,990,800, and consisted of current assets of \$1,914,900, fixed assets of \$64,900, and non-current assets of \$11,100. Current liabilities were \$1,152,200 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$11,900 consisted of accrued health insurance benefits. Net income for the period ending January 31, 2021 was \$534,000. Following a recommendation by staff, James Coffey moved, seconded by Mike McCravy to create an AGI investment reserve. The motion was unanimously approved. Dave Hinman moved, seconded by James Coffey to approve the financial report. The motion was unanimously approved.
- Staff provided updates on genomic testing, staffing, external genetic evaluations, reporting of PAP progeny in online pedigree lookup, and joint carcass trait research with Angus Australia. Staff further reported on the continued work to validate two potential haplotypes affecting fertility, planned maintenance of the weekly genetic evaluation through an update to the core group of animals used to represent the genotyped population, and all internal and external research being supported by AGI.
- Following a recommendation from the Research Priorities Committee, the funding of a heat tolerance research project was introduced. Mike McCravy moved, seconded by Mick Varilek, that the first year of the project be funded. The motion was unanimously approved.

ANGUS PRODUCTIONS INC. d.b.a ANGUS MEDIA

- A financial report for Angus Productions Inc. d/b/a Angus Media was presented. Total assets at January 31, 2021 were \$3,346,200, and consisted of current assets of \$1,840,300, restricted investments of \$814,500, fixed assets of \$513,500, and non-current assets of \$177,900. Current liabilities were \$1,462,800 consisting of accounts payable, accounts payable intercompany, accrued liabilities and deferred income. Long-term liabilities of \$254,700 consisted of accrued health insurance benefits. Net income for the period ending January 31, 2021 was \$647,500. Darrell Stevenson moved, seconded by Smitty Lamb to approve the financial report. The motion was unanimously approved.
- Barry Pollard moved, seconded by Darrell Stevenson, that minutes of regular and executive session Angus Productions Inc (API) Board meetings may be presented for review,

amendment and approval through an online Board portal. The motion was unanimously approved.

- Staff offered highlights of activities year-to-date. While much of the last year has been focused on adapting and recovering from COVID's influence on the market, goals are shifting to growth.
- Staff presented an overview of API's digital marketing efforts, focusing on four key areas: angus.org, email marketing, retargeting campaigns and social media. API's digital marketing efforts have experienced considerable growth in the last year.
- Opportunities for international collaboration and business were reviewed.
- The Board discussed API's handling of member's sale catalogs where less than the majority of the lots are registered Angus cattle. Staff was directed to explore the costs and benefits of identifying additional ways to highlight the registered Angus offerings without promoting other breeds and report at the June Board meeting.

CERTIFIED ANGUS BEEF LLC

- A financial report for Certified Angus Beef, LLC (CAB) was presented. Total assets at January 31, 2021 were \$20,678,000, and consisted of current assets of \$7,139,800, investments of \$8,197,400 of which \$1,869,300 is restricted, and fixed assets of \$5,340,800. Current liabilities were \$1,404,200 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$737,400 consisted of accrued health insurance benefits. Net income for the period ending January 31, 2021 was \$2,633,900. Mike McCravy moved, seconded by Dave Hinman to approve the financial report as presented. The motion was unanimously approved.
- The brand recently launched #RestaurantChallenge as a social movement to encourage consumers to support restaurants by dining-in or ordering carry-out. For more information, visit the website: <https://challenge.certifiedangusbeef.com/>.
- Brand sales are currently down 2.0% compared to the prior year as a result of foodservice and international sales being down 27.5% and 9.5%, respectively, although retail sales are up 20.5%.
- While certified head counts have been relatively steady with prior year through January, weekly Certified Angus Beef ® brand acceptance rates in February exceeded prior year and hit 40% resulting in strong supplies for both Certified Angus Beef ® and Certified Angus Beef ® Prime.
- Highlighting the growth in demand for the brand, over the last six years, certified carcass supply has increased by 66% with no decrease in Certified Angus Beef ® brand cutout values.
- The brand remains in a strong financial position as expenses continue to be managed in relation to revenue.

AMERICAN ANGUS ASSOCIATION

- A financial report for the American Angus Association was presented. Total assets at January 31, 2021 were \$23,861,700, and consisted of current assets of \$2,378,200, investments of \$17,017,500 of which \$9,797,100 is restricted, and fixed assets and goodwill of \$4,466,000. Current liabilities were \$1,600,900 consisting of accounts payable, accounts payable intercompany, accrued liabilities and deferred income. Long-term liabilities of \$812,800 consisted of deferred compensation and accrued health insurance benefits. Net income for the period ending January 31, 2021 was \$2,207,700. Jonathan Perry moved, seconded by James Coffey to approve the financial report. The motion was unanimously approved.

- The Board approved committee reports and recommendations:
 - Breed Improvement Committee report and recommendations: motion by Mick Varilek, second by Darrell Stevenson, unanimous approval.
 - Commercial Programs Committee report and recommendations: motion by Jim Brinkley, second by Jonathan Perry, unanimous approval.
 - Communications and Public Relations Committee report and recommendations: motion by James Coffey, second by Jerry Theis, unanimous approval.
 - Events and Education Committee report and recommendations: motion by Mike McCravy second by Jonathan Perry, unanimous approval.
 - Finance and Planning Committee report and recommendations: motion by Chuck Grove, second by Alan Miller, unanimous approval.
 - Member Services Committee report and recommendations: motion by Dave Hinman, second by Jerry Theis, unanimous approval.
 - Research Priorities Committee report and recommendations: motion by Jerry Connealy, second by Jonathan Perry, unanimous approval.
- James Coffey moved, seconded by Darrell Stevenson to approve 2021 Committee appointments. The motion was unanimously approved.
- There was significant discussion around the benefits and limitations of AI certificates. No action was taken.
- Jonathan Perry moved, seconded by Richard Dyar to fund research to advance the development of a longevity EPD, and fund the work with Association reserves designated for research. The motion was unanimously approved.
- Following extensive analysis and discussion, Chuck Grove moved, seconded by Alan Miller to increase registration fees across all age categories by \$5.00, effective April 6, 2021. The motion was unanimously approved.
- Richard Dyar moved, seconded by Jim Brinkley to change the foreign registration fee to \$50.00. The motion was unanimously approved.
- The Board heard presentations from Dr. Alison Van Eenennaam on the state of gene editing, and from Dr. Bradley Wolter on a systems approach to developing genetic selection tools.
- President Dal Porto reported that the minutes of the November 7, 2020 regular Association Board meeting and November 9, 2020, annual meeting of the Association Board were approved on January 12, 2021.

NEXT REGULAR BOARD MEETING

- June 7-10, 2021, Wooster, Ohio.