

ANGUS
THE BUSINESS BREED

OPPORTUNITY

American Angus Association
Long-Range Strategic Plan | November 2016

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LANDMARK LEADERSHIP

Angus is among rural America's greatest successes, but it's a story still being written.

Its dominance as the nation's largest beef cattle breed through much of the last half century was largely achieved through a series of landmark decisions. These decisions, at critical junctures, required a unique brand of leadership that coupled innovative thought with the highest purpose of ranching: raising the best cattle to provide the best beef.

The most impactful turns made in the 133-year history of the American Angus Association® came from those who sought an honest assessment of breed and industry needs, and pursued change based on the findings. The result was progress. The reward was market share.

Today, the American Angus Association again recognizes significant opportunity.



A unique brand of leadership

CROSSROADS

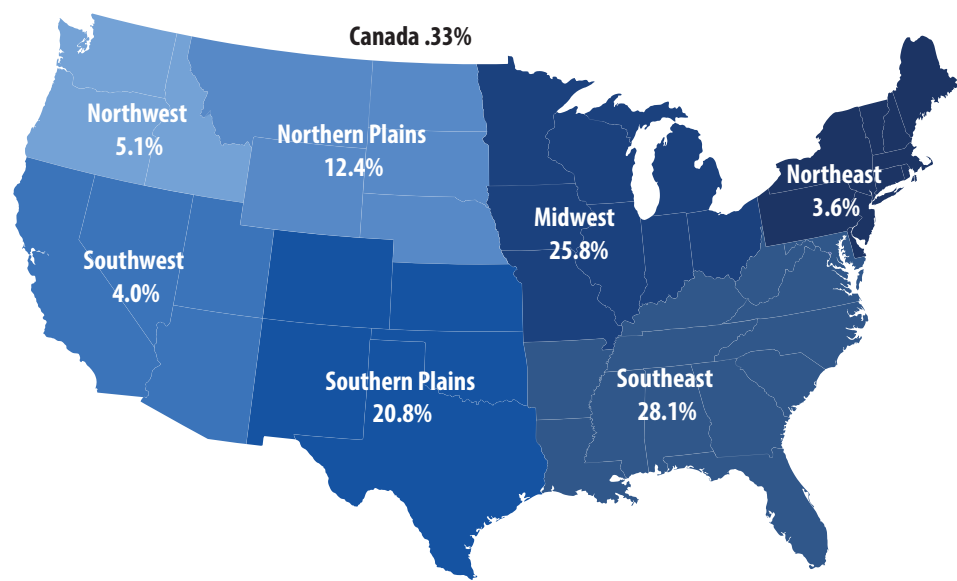
To pioneer a new era of progress and to advance the position of the Angus breed and brand, the American Angus Association Board of Directors pursued a long-range strategic planning process in 2016 — the most comprehensive and far-reaching effort of its kind for the organization.

From the start, the Long-Range Strategic Plan (LRSP) was anchored by valuable insight from all sectors of the beef industry: from seedstock to cow-calf producers, from feeders to allied industry partners, from marketers to retailers to academia.

Extensive surveys, focus groups and market analyses were all part of a thorough study of the industry. The effort revealed a holistic assessment of challenges and opportunities for the Association and its members in a rapidly evolving business.

The LRSP process also established the foundation for thoughtful deliberation and an impactful, visionary plan.

Demographics | Member survey respondents by region



1,943 MEMBER SURVEYS
245 COMMERCIAL PRODUCER SURVEYS
28 INDUSTRY INFLUENCERS
MARKET STUDIES AND INSIGHT FROM
OUTSIDE INDUSTRY

FINDINGS

The LRSP represents months of in-depth planning and important consideration. In keeping with its mission, the Association holds utmost a responsibility to its 25,000 members, and to the approximate 70 percent of U.S. commercial cow-calf producers who rely on Angus genetics.^a

With such industry influence, the breed is innately affected by macro trends in the industry, and the inverse holds true. Repeatedly, LRSP input reflected that point by signaling leadership opportunities up and down the

production chain – a positive indicator for growing the relevance of Angus in a rapidly changing cattle business.

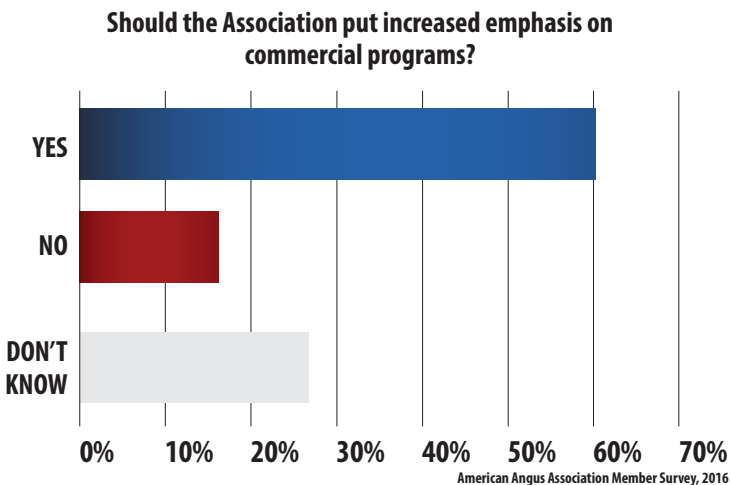
While the industry assessment and survey findings that accompanied the LRSP were too vast to include here, the following represent main themes that surfaced: changing market dynamics; increased competition; technological and informational needs; international opportunities; and growing beef demand.

Changing dynamics

While the industry undergoes the most profound period of herd expansion in history, CattleFax estimates reveal a shifting infrastructure of fewer, larger commercial herds within the next decade.^{bc} Members recognize the importance of this sector, and respondents strongly favor an increased Association emphasis on commercial programs.^d

Despite general declines, profitability is expected to remain in the black for cow-calf producers, unlike previous expansionary periods, and beef quality should stay above the five-year average.^{ef}

The feeding sector has endured substantial losses in the billions since 2015, after undergoing substantial gains of nearly the same amount in 2013-2014. Packer profitability, meanwhile, largely increased in 2016, and company-owned cattle in the nation's feeding sector grew from 56% in 2006 to 80% in 2015, according to CattleFax.



FINDINGS

Technology and information needs

Raising cattle in the information age and with genomic-enhanced expected progeny differences (EPDs) has transformed the lexicon of the bull business.

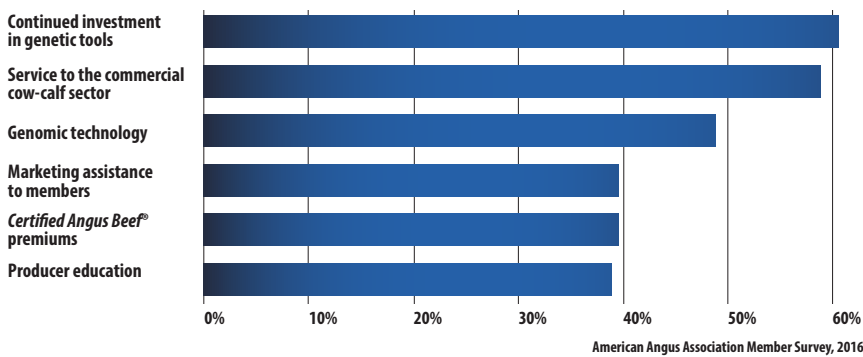
More producers than ever are embracing technology, and the importance of both genomic and phenotypic data is growing. Members note an investment in genomics and genetic evaluation capabilities as among the top opportunities for the breed.^d Maternal traits, feet/leg structure, longevity and health were among the highest priorities to both seedstock and commercial producers, with more data and expanded research capabilities as key.

LRSP results also point to an informational disconnect between the fed cattle and seedstock industry,

suggesting the need for better genetic selection tools to meet the needs of the commercial and feeding sectors. Survey and focus group input suggests the industry needs a single source to provide accurate genetic information to commercial producers, creating added value for registered Angus cattle. There's also a noted demand to better identify Angus-sired feeder cattle with superior genetic potential.

Needed education across all portions of the cattle industry was a significant component that surfaced as well, given dynamic technologies, information sources and marketing factors. Angus would be well-suited to fill that prerequisite for growth, according to LRSP feedback.

Top opportunities for the next three years



Increased competition

The American Angus Association boasts the No. 1 leadership position in the cattle industry in number of members, registrations, percentage makeup of the nation's cow herd, consumer brand awareness and industry visibility.

Both Association membership and registrations total more than the next eight leading cattle breeds combined, comparable only to Holstein (370,000 head).⁹ However, collaborative efforts are allowing for a more

aggressive posture among breed and multi-breed contenders.

More substantially, private industry genetics companies, producer cooperatives and new industry players pose a changing competitive landscape than even five years ago. The last decade gave rise to countless genetics and genomics-based companies, some currently licensing potentially market-disrupting technologies.

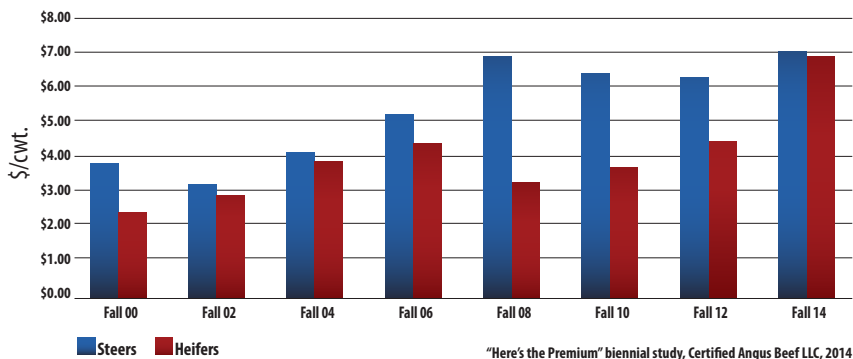
Demand growth

Demand for the *Certified Angus Beef*® (CAB®) brand has never been higher, with more than 1 billion lb. in product sales achieved in fiscal year (FY) 2016, as total premiums for Angus cattle have grown and driven genetic improvement and a stronger supply of cattle qualifying for the brand.^h

International demand for high-quality beef is growing, and the brand has been both a major driver and benefactor.

Transparency with consumers is increasingly important, and hot-button issues like antibiotics use and consumer misinformation are among some of the top issues members recognize as challenges in the years ahead.^d Competing proteins as well as lower-priced Angus and non-Angus brands will continue to compete for market share.

Price (\$/cwt.) difference between Angus and Other



Global opportunity

Given shifting market dynamics and larger supplies, global demand for U.S. beef will be increasingly important. The leadership position of Certified Angus Beef LLC provides opportunity to continue growth in the international community.

Technological advancements in genetics, communications and transportation allow for greater

international opportunities than ever before. Further research and development alliances could continue to expand American Angus Association leadership and breed influence — and to ultimately build demand for Angus genetics and high-quality beef worldwide. That's core to the Association's long-established mission.

^aBEEF Magazine producer survey, 2014

^bUSDA, Total Cattle Inventory Projections, 2017–2018

^cUSDA-NASS 2012 Census of Agriculture

^dAmerican Angus Association Member Survey, 2016

^eCattleFax Average Cow/Calf Profit (Loss), 2016–2018

^fUSDA Prime and Upper 2/3rds Choice Beef Production, 2016

^gAmerican Angus Association Competitive Analysis, 2016

^hHere's the Premium Study, Certified Angus Beef, 1999–2014

THE LONG-RANGE STRATEGIC PLAN

The rounded and open industry analysis undergone for the LRSP is complemented by a well-structured plan. To build it, Association directors adopted a strategic planning model that started by first identifying the goals, then subsequent needed strategies.

Cumulative findings from LRSP research resulted in five core goal areas:



The following describes the associated goals and strategies of each, approved by the Board of Directors. Association staff will now work with Angus members and leaders to explore these areas and establish tactical initiatives during the next three years to achieve the defined points below—and to ultimately secure a successful future for the breed and members.

GENETICS

Goal

Leverage the leadership position and expertise of Angus Genetics Inc. (AGI) to serve an evolving beef industry.

Strategies

- Establish a Genomic Education Center that will be used for research, education and leadership development while at the same time providing much-needed office space.
- Develop a commercial cattle database to provide genetic information to commercial producers, creating added value for registered Angus cattle and Angus-sired feeder cattle with superior genetic potential.
- Create a greater emphasis and focus on whole-herd reporting by the Association's members by considering incentivizing data input.
- Develop a combined index of maternal and terminal traits to aid producers when considering purchase of Angus genetics.

COMMERCIAL PROGRAMS

Goal

Create a comprehensive commercial program that drives the cow-calf and fed cattle sectors.

Strategies

- Create a feeder calf program that is built upon the use of registered Angus bulls that ties calves back to superior Angus genetics.
- Reinforce the value of using registered Angus bulls by developing a promotional and educational campaign for the commercial market.
- Create an easy-to-use mobile platform recordkeeping system that can be utilized by both members and non-members that seamlessly interfaces with both AGI and common industry software programs.
- Build relationships with the fed cattle industry by developing information-sharing alliances that leverage fed cattle metrics with Angus cattle genetics.

LEADERSHIP

Goal

Leverage market strength to establish industry leadership position.

Strategies

- Develop educational and informational strategies that capitalize on the strength of Angus Media to foster a leadership position within the industry.
- Expand current Association initiatives in leadership development by improving and certifying curriculum offerings and goals.
- Develop relationships with international Angus partners that will be based upon mutually collaborative efforts that drive the use of American Angus genetics.
- Focus on enhancing the membership experience of Association members.

THE LONG-RANGE STRATEGIC PLAN

PRODUCT

Goal

Aggressively expand CAB's influence while zealously protecting its established brand integrity.

Strategies

- Build upon the trust placed in the brand while protecting the equity in the CAB® logo and trademark(s).
- Grow brand awareness by building greater brand loyalty among current users.
- Provide unparalleled brand services and resources by developing materials and resources that reflect the quality of the brand.
- Pursue innovations and messaging that enhance the “brand experience” to become more of an emotional purchasing/dining experience.
- Drive growth in brand production and sales with cattlemen, both domestically and internationally.



American Angus Association 2015-2016 Board of Directors

Front row, from left: Dave Nichols; Allen Moczygemba, Association CEO; Kevin Yon, Association treasurer; Jim Sitz, Association president and chairman of the board; Charlie Boyd II, Association vice president and vice chairman of the board; John H. Pfeiffer Jr.; and John Elbert Harrell. **Back row, from left:** Tom Burke, Chuck Grove, Mick Varilek, James S. Coffey, Mike McCravy, David A. Dal Porto, John F. Grimes, Leo McDonnell Jr., James W. Henderson, Jerry Connealy, and Don Schiefelbein.


RESEARCH

Goal

Increase research emphasis within the Association and the Angus Foundation.

Strategies

- Take a more proactive role as an Association in seeking out research proposals that address identified research needs.
- Place an emphasis on potential fertility challenges and make it a priority with the Association and members to improve fertility across the breed.
- Place an emphasis on improving feet and leg structure of Angus cattle in order to improve performance and production longevity.
- Proactively work with the research community (academia and private industry) to develop strategic partnerships that utilize new genetic technologies to produce disease-resistant cattle.



“ The final and proper purpose of all beef cattle breeding is to produce good beef; its highest purpose is the production of the most beef of the best quality in the least time, with a given amount of feed and care. ”

— L.H. Kerrick, 15th President of the American Angus Association, 1902

OUR MISSION

To provide programs, services, technology and leadership to enhance the genetics of the Angus breed, broaden its influence within the beef industry, and expand the market for superior tasting, high-quality Angus beef worldwide.

American Angus Association®

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