

ANGUS

THE BUSINESS BREED

AMERICAN ANGUS ASSOCIATION®

HIGHLIGHTS OF THE MEETING OF THE BOARD OF DIRECTORS

FEBRUARY 18-21, 2019

The following is a review of topics discussed and action taken during the meeting of the Board of Directors held February 18-21, 2019, in St. Joseph, Missouri.

BREED IMPROVEMENT COMMITTEE

- The committee reviewed a timeline from 2016 to the present that illustrated the research and development of updated models behind Angus's \$Value indexes. The committee referred five (5) recommendations to the full Board. (See **BOARD OF DIRECTORS** section)
- Staff provided updates on five new traits for genetic evaluation in various stages of research and development: Foot score, pulmonary arterial pressure (PAP), tenderness, cow longevity and fertility haplotypes. Updates on the structured sire evaluation program and bovine congestive heart failure research were also provided.
- As requested by the committee, staff presented several options for bundled pricing of Association services. It was recommended that a special committee be appointed to consider options. (See **BOARD OF DIRECTORS** section)

COMMERCIAL PROGRAMS COMMITTEE

- Staff reviewed communication plans and provided updates for AngusSource®, Angus LinkSM, Angus Black Book mobile app and Custom Cattle Tags.
- Staff provided an update on Angus-Sired Genetics process verified program (PVP) that will be added to AngusSource.

COMMUNICATIONS AND PUBLIC RELATIONS COMMITTEE

- The committee received an update on the recently unveiled National Advertising Campaign which was released across print, digital and radio media.
- An update was provided regarding *The Angus Report* and *I Am Angus*. The committee discussed incorporating the Association's belief statement, *Raising Standards*TM into content planning.
- The committee reviewed the current process by which show results are released through various platforms.

EVENTS AND EDUCATION COMMITTEE

- Chuck Grove moved, seconded by John Grimes, to approve the 2020 National Western Stock Show (NWSS) Bull Sale to be held on Thursday, January 16 in the afternoon in Beef Palace Arena. Motion passed unanimously.
- Chuck Grove moved, seconded by John Grimes, to move the NWSS Junior Angus show to Wednesday and move the Roll of Victory (ROV) bull show to Thursday during the NWSS. Motion passed by a vote of three (3) in favor, and one (1) abstaining.

- David Dal Porto moved, seconded by Chuck Grove, to lower the minimum number of head of cattle shown to 70 for a recognized ROV for the 2019-2020 ROV show year. Motion passed unanimously.
- John Grimes moved, seconded by Alan Miller, to update the current premium participation schedule for the 2020 fiscal year calendar. Motion passed unanimously.
- Chuck Grove moved, seconded by Alan Miller, to permanently recognize the Fort Worth Stock Show as a Super ROV show. Motion passed unanimously.
- Chuck Grove moved, seconded by Alan Miller, to make the North American International Livestock Exposition (NAILE) show the permanent National Angus Show. Motion passed unanimously.
- Staff was directed to look into improving awards for the ROV of the Year winners.
- Alan Miller moved, seconded by David Dal Porto, to recognize the Minnesota State Fair Angus Show as a regular ROV show. Motion passed unanimously.
- Staff was directed to ask the NAILE show announcer to read the weight of animals in the show.
- Staff was directed to publish photos of the grand and reserve champion cow/calf pairs regardless of the number shown in each division.
- John Grimes moved, seconded by Alan Miller, to accept the changes to the Phenotype and Genotype Show (PGS) rules: "Classes and divisions will be made up after cattle have been checked-in at the show with no more than 15 head in any class and on a logical age break not necessarily following standard American Angus Association classifications." Motion passed unanimously.
- John Grimes moved, seconded by Chuck Grove, to accept the updated National Junior Angus Association (NJAA) Carcass Contest Rules and Guidelines. Motion passed unanimously.
- Chuck Grove moved seconded by John Grimes to approve Jim Birdwell as the NWSS Bull Sale Auctioneer. Motion passed unanimously.
- A slate of judges was selected for the 2019-2020 ROV shows.

FINANCE AND PLANNING COMMITTEE

- The committee reviewed balance sheets and income statements for the period ending January 31, 2019. Total assets on the consolidated financial report were \$64,845,000, consisting of current assets of \$10,881,000, investments of \$43,503,000, property and equipment of \$9,101,000 and non-current assets of \$1,360,000. Current liabilities were \$3,932,000, consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$1,856,000 consisted of accrued health insurance benefits and deferred compensation. Net income for the period ending January 31, 2019 was \$2,184,000.
- The committee discussed the annual audit of Association records. Barry Pollard moved and Richard Dyar seconded to use CliftonLarsonAllen, LLP for the annual audit of the American Angus Association and its subsidiaries. The motion was unanimously approved.
- The committee discussed the June Board meeting. Dave Nichols moved and Barry Pollard seconded to allow for the budgeting of an offsite board meeting in June 2020. The motion was unanimously approved.

MEMBER AND AFFILIATE SERVICES COMMITTEE

- Discussion was held regarding a proposed amendment to the wording of Article X of the bylaws. James Coffey moved, seconded by James Henderson, to present the proposed amendment to the full Board for consideration to present at the 2019 Convention of Delegates. The motion was unanimously approved. The proposed amendment is shown below with changes in red.

Article X

Amendment of Bylaws

The Bylaws of the Association may be amended by a majority vote of the delegates present at the Annual Convention of Delegates, or any adjournment thereof, or at any special meeting of the Convention of Delegates called for such purpose provided that the subject matter of any proposed Amendment shall have been submitted in writing to the Chief Executive Officer at least thirty (30) days prior to the date of the meeting at which the proposed amendment is to be presented. In turn, the Chief Executive Officer will submit the proposed Amendment to the Delegates and Alternate Delegates at least fifteen (15) days prior to the date of the meeting at which the proposed amendment is to be presented. The Bylaws may, however, be amended without prior notice to the Delegates and Alternate Delegates by a vote of three-fourths of the Delegates present at any Convention of Delegates. Amendments to the Bylaws shall go into effect at the adjournment of the meeting at which they are adopted.

- The committee reviewed an email from a member requesting the requirement of parent verification for all calves born as a result of embryo transfer. No action was taken.
- Discussion took place regarding a request from a member to incorporate the *Certified Angus Beef*® (CAB®) Targeting the Brand™ logo within the Association's pedigree lookup feature. After deliberation, James Coffey moved, seconded by Richard Dyar, to table the discussion. The motion was unanimously approved.

RESEARCH PRIORITIES

- The committee reviewed current research projects.
- The committee reviewed submissions for research proposals and recommended that three research proposals be presented to the Angus Foundation Board of Directors for funding consideration. (See **ANGUS FOUNDATION** section)
 - Jerry Connealy moved, seconded by James Henderson, that a proposal from Kansas State University's Beef Cattle Institute (BCI) be presented to the Foundation Board for funding. The motion was unanimously approved
 - James Henderson moved, seconded by Jerry Connealy, that a proposal from Purdue University be presented to the Foundation Board for funding. The motion was unanimously approved.
 - Jerry Connealy moved, seconded by James Henderson, that a proposal from Kansas State University be presented to the Foundation Board for funding. The motion was unanimously approved.
- Staff presented a list of research priorities to the committee. After discussion the committee directed staff to develop a targeted research plan to be presented at the September 2019 Board meeting.

ANGUS FOUNDATION

- A financial report for the Angus Foundation was presented. Total assets at January 31, 2019 were \$21,439,400, and consisted of current assets of \$754,300, investments of \$20,568,900, and non-current assets of \$116,200. Current liabilities were \$105,400 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$27,800 consisted of accrued health insurance benefits. Net income for the period ending January 31, 2019 was \$73,800. Jerry Connealy moved to accept the financial report. James Henderson seconded the motion. Motion passed unanimously.
- Mick Varilek moved to return \$250,000 to the American Angus Association that was donated to the Angus Foundation in February 2018 for the “Angus: Researching New Frontiers” campaign. (The original donation was made from the Association’s existing designated research reserves.) James Henderson seconded the motion. Motion passed unanimously.
- The Association’s Research Priorities Committee recommended that the Foundation Board consider the following three projects for funding by the Angus Foundation. James Henderson moved to approve all three projects, seconded by Barry Pollard. The motion passed unanimously.
 - Beef Cattle Institute (BCI) Health Knowledge Network: Monitoring Cattle Heart Syndromes – Kansas State University. Project duration two years.
 - Integrating Multiple Data Sources to Maximize the Efficiency of Genomic Selection for docility in Angus Cattle – Purdue University. Project duration two years.
 - Measurement of Metabolic Rate and Efficiency in Beef Cattle Using Gas Flux Data – Kansas State University. Project duration four years.
- Director James Henderson and Outside Representative Lamar Steiger volunteered to serve on the 2019 Angus Foundation Undergraduate and Graduate Student Scholarship Selection Committee.
- Directors Barry Pollard and David Dal Porto volunteered to serve on the 2019 Allied Angus Breeders Undergraduate Scholarship Selection Committee.

ANGUS GENETICS INC.

- A financial report for Angus Genetics (AGI) was presented. Total assets as of January 31, 2019, were \$1,609,900 and consisted of current assets of \$1,557,500, fixed assets of \$30,800, and non-current assets of \$21,600. Current liabilities were \$1,218,900 consisting of accounts payable and accrued liabilities. Long-term liabilities of \$5,600 consisted of accrued health insurance benefits. Net income for the period ending January 31, 2019, was \$116,100. Jerry Connealy moved to approve the financial report, David Dal Porto seconded. The motion passed unanimously.
- Staff updated the Board on potential new clients for genetic evaluation services and reviewed bundled genetic condition testing, including a discussion of related intellectual property rights.
- Staff provided an update on genomic testing services provided by AGI. Genomic test results continue to be at or below expected turnaround times.
- Plans for an off-site AGI Board meeting later in 2019 were discussed.

ANGUS PRODUCTIONS INC. d/b/a ANGUS MEDIA

- A financial report for Angus Productions Inc. d/b/a Angus Media was presented. Total assets as of January 31, 2019 were \$2,736,300, and consisted of current assets of \$1,608,800, investments of \$636,700, fixed assets of \$268,600, and non-current assets of \$222,200. Current liabilities were \$1,338,000 consisting of accounts payable, accounts payable intercompany, accrued liabilities and deferred income. Long-term liabilities of \$221,100 consisted of accrued health insurance benefits. Net income for the period ending January 31, 2019 was \$266,300. Chuck Grove moved to accept the financial report, Richard Dyar seconded the motion. Motion passed unanimously.
- Following the departure of former president Rick Cozzitorto in January 2019, CEO Allen Moczygemba will serve as Angus Media's interim president until a new president is hired.
- Staff presented an update of the sale book portal, which is slated for a soft launch in May and a full launch ahead of the fall sale season.
- Staff presented a tiered, per-page pricing structure for Angus Media sale books set to go into effect in summer 2019.
- Barry Pollard moved to adopt a resolution to officially allow the entity to do business as "Angus Media." Richard Dyar seconded. Motion passed unanimously.
- Barry Pollard moved to request that staff consider the online opportunities to educate cattlemen about AngusSource and Angus Link. Richard Dyar seconded. Motion passed unanimously.

CERTIFIED ANGUS BEEF LLC

- A financial report for Certified Angus Beef LLC (CAB) was presented. Total assets at January 31, 2019 were \$16,660,000, and consisted of current assets of \$5,822,700, investments of \$7,388,900, and fixed assets of \$3,448,400. Current liabilities were \$962,900 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$762,300 consisted of accrued health insurance benefits. Net income for the period ending January 31, 2019 was \$2,111,600. Mick Varilek moved to approve the financial report, seconded by Mike McCravy. Motion passed unanimously.
- Fiscal year-to-date through January, certified head count is up 14.9% as acceptance rate is at 34.5%, 4.7 percentage points ahead of the same period a year ago. *Certified Angus Beef*® brand sales are up 8.9%, with all sales divisions (retail, foodservice, international) posting strong growth. Categorically, *Certified Angus Beef*® brand Prime sales have continued to increase growing by 42.7% thus far this fiscal year. While representing less than 3% of total sales, *Certified Angus Beef*® brand Prime accounts for 10% of brand growth for October through January.
- Financially, strong supply and sales resulted in an 8% increase in royalties over budgeted income while expenses have remained in line with budget.
- A purchase agreement has been drafted to acquire 3.5 acres of vacant land across the street from the existing CAB office in Wooster, Ohio. While there are no plans to build on the site yet this fiscal year, the property is nicely located to accommodate anticipated needs for expanding point-of-sale warehousing space and consequently freeing up current warehouse space for future staffing needs.
- Efforts continue to engage those with expertise and insight into Bovine Congestive Heart Failure to identify how the brand and the Association can together help the industry answer key questions on the topic.

BOARD OF DIRECTORS

- A financial report for the American Angus Association was presented. Total assets at January 31, 2019 were \$23,300,300, and consisted of current assets of \$2,038,800, investments of \$14,908,300, and fixed assets and goodwill of \$6,353,200. Current liabilities were \$1,206,300 consisting of accounts payable, accounts payable intercompany, accrued liabilities and deferred income. Long-term liabilities of \$839,500 consisted of deferred compensation and accrued health insurance benefits. Net loss for the period ending January 31, 2019 was (\$384,200). James Coffey moved, Mick Varilek seconded, to approve the financial report. The motion was unanimously approved.
- President Pfeiffer reported that the minutes of the September 10-13, 2018 regular Association Board meeting were unanimously approved by an email vote that was completed on December 19, 2018.
- President Pfeiffer reported that the minutes of the November 2, 2018 regular Association Board meeting and November 5, 2018, annual meeting of the Association Board were unanimously approved by an email vote that was completed on January 18, 2019.
- At a special Board meeting held January 16, 2019, Alan Miller moved, seconded by Jerry Connealy, to appoint James W. Henderson as the Association's National Cattlemen's Beef Association (NCBA) representative. Henderson will replace Don Schiefelbein who is unable to serve because he currently is Chairman of the Policy Division of NCBA's Board of Directors. The motion was unanimously approved.
- John Grimes moved, seconded by James Coffey, to approve the minutes of the special Board meeting held January 16, 2019. The motion was approved by a vote of fifteen (15) in favor and one (1) abstaining (due to not being present at the January meeting).
- The Board reviewed the Policy on Release of Votes for the election of directors and delegates. No action was taken.
- The Association Board considered the following five recommendations referred by The Breed Improvement Committee:
 - Recommendation 1: Replace current Beef Value (\$B) with a revised model, also named Beef Value (\$B), which more correctly aligns with today's heavier fed cattle weights. Barry Pollard moved, Mick Varilek seconded, to approve the recommendation with an approximate release date in June 2019. The motion passed by a vote of fourteen (14) in favor, two (2) opposed.
 - Recommendation 2: Replace the current Weaned Calf Value (\$W) model with a new Maternal Weaned Calf Value (\$M) that will be expanded from the current four (4) expected progeny differences (EPDs) to nine (9) EPDs, with greater emphasis on maternal traits. Don Schiefelbein moved, James Henderson seconded, to approve the recommendation with the directive that staff evaluate the \$M model after final revisions to trait emphasis and that any revisions will be supplied to the full Board for final approval. The motion was unanimously approved. The new \$M will be released in June 2019.
 - Recommendation 3: Remove redundant Values of Quality Grade (\$QG) and Yield Grade (\$YG) to clarify tools. Following discussion, Dave Hinman moved to approve the recommendation, Jonathan Perry seconded. The motion was unanimously approved.
 - Recommendation 4: Report all \$Values to whole dollar. Mike McCravy moved to approve the recommendation, John Grimes seconded. The motion was unanimously approved.

- Recommendation 5: To introduce a balanced index combining maternal and terminal traits. Don Schiefelbein moved, Mick Varilek seconded, to approve said balanced index to be implemented June 2020 with member education to take place over the next 18 months. After lengthy discussion, the motion passed with eleven (11) in favor, five (5) opposed.
- President John Pfeiffer Jr. appointed a special committee to review options for bundled pricing of Association services. The Special Bundling Services Committee will be comprised of: Don Schiefelbein, chair, Chuck Grove, Alan Miller, Jonathan Perry and Mick Varilek. The appointment was approved by general consensus. The committee will report to the full Board at the September 2019 Board meeting.
- The Board approved committee reports and recommendations:
 - Breed Improvement Committee report and recommendations: motion by John Grimes, second by James Coffey, unanimous approval.
 - Communications and Public Relations Committee report and recommendations: motion by Mick Varilek, second by Barry Pollard, unanimous approval.
 - Events and Education Committee report and recommendations: motion by Alan Miller, second by Chuck Grove, unanimous approval.
 - Finance and Planning Committee report and recommendations: motion by David Dal Porto, second by Barry Pollard, unanimous approval.
 - Member and Affiliate Services Committee report and recommendations which included a bylaws amendment proposal to be voted on at the 2019 Annual Convention of Delegates: motion by Mike McCravy, second by James Henderson, unanimous approval.
 - Research Priorities Committee report and recommendations: motion by Don Schiefelbein, second by James Henderson, unanimous approval.

NEXT REGULAR BOARD MEETING

- June 3-6, 2019, Squaw Valley, Lake Tahoe, California.