

ANGUS

THE BUSINESS BREED

AMERICAN ANGUS ASSOCIATION® HIGHLIGHTS OF THE MEETING OF THE BOARD OF DIRECTORS SEPTEMBER 10-13, 2018

The following is a review of topics discussed and action taken during the meeting of the Board of Directors held September 10-13, 2018, in St. Joseph, Missouri.

BREED IMPROVEMENT COMMITTEE

- A review of preliminary results of the member and industry survey for the \$Value indexes update project was presented by staff. The economic modeling portion of the project is under way, and options for updated index values will be presented at the February 2019 Board meeting.
- Staff reviewed plans for 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.
- An update was provided on member response to the new MaternalPlus® incentive program. A considerable increase in participation was achieved compared to the same period last year.
- Staff reviewed procedures for use of embryo genotypes in genetic evaluation and also reviewed concordance data between embryo and animal samples.

EVENTS AND EDUCATION COMMITTEE

- The judges list for the 2019 Western Regional Junior Angus Show was presented to the Committee: 1. Kyle Conley, 2. Mark Hoge, 3. Amanda Schnoor. John F. Grimes moved, seconded by David A. Dal Porto, to approve the list. The motion was unanimously approved.
- Jonathan Perry moved, seconded by Alan Miller, to provide premium support to the following regional and junior preview shows: Mid-Atlantic Junior Angus Classic (MAJAC) Regional Preview, Harrisonburg, Virginia; Atlantic National Regional Preview, Timonium, Maryland; All American Angus Breeders' Futurity Regional Preview, Louisville, Kentucky; and Western Regional Junior Angus Show, Reno, Nevada. The motion was unanimously approved.
- Mike McCravy moved, seconded by Jonathan Perry, to approve the Pennsylvania Angus and Junior Angus Associations to host the 2020 National Junior Angus Show (NJAS). The motion was unanimously approved.
- Alan Miller moved, seconded by John Grimes, to hold a Phenotype and Genotype Show (PGS) at the 2019 Western Regional Junior Angus Show and 2019 Eastern Regional Junior Angus Show. The motion was unanimously approved.
- The Committee directed staff to survey members to gather input on the Roll of Victory (ROV) program and to report at the next meeting.
- The Committee received an update on the National Western Stock Show (NWSS) Angus Bull Sale entries and event.
- The Committee and staff reviewed the 2018 NJAS held in Madison, Wisconsin, this past July, which all agreed was an outstanding event.

- More educational activities will be added to the 2019 NJAS for the National Junior Angus Association (NJAA) Carcass Contest participants. Enhanced education will be discussed further at a later date.
- A letter received from an exhibitor was reviewed by the Committee. No action was taken. Staff will respond to the inquiry.
- The Committee created the 2019-20 ROV judges list, which is to remain confidential until the list has been sent to the ROV shows. John Grimes moved, seconded by Jonathan Perry, to approve the list. The motion was unanimously approved.

FINANCE AND PLANNING COMMITTEE

- The Committee reviewed balance sheets and income statements for the period ending July 31, 2018. Total assets on the consolidated financial report were \$69,030,000, and consisted of current assets of \$11,973,000, investments of \$46,567,000, property and equipment of \$9,169,000 and non-current assets of \$1,321,000. Current liabilities were \$3,042,000 and consisted of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$2,106,000 consisted of notes payable, deferred compensation and accrued health insurance benefits. Net income for the period ending July 31, 2018, was \$7,852,000.
- Projections of the financial results for the fiscal year that will end September 30, 2018, were presented. The Committee discussed the proposed budget for fiscal year (FY) 2019. Barry Pollard moved, seconded by James S. Coffey, to recommend that the Board approve the FY 2019 budget proposal. The motion was unanimously approved.
- The Committee reviewed the investment portfolio for the Association and its subsidiaries.
- The Committee reviewed the codes of conduct for directors and employees. James Coffey moved, seconded by Jerry Connealy, to approve the codes with no changes needed. The motion was unanimously approved.

INDUSTRY RELATIONS COMMITTEE

- James W. Henderson moved, seconded by Alan Miller, to approve the proposed media schedule for the FY 2019 national ad campaign. The motion was unanimously approved.
- Staff presented a review of various concepts for the 2019 national ad campaign, including regionalized ads.
- Mick Varilek moved, seconded by Dave Hinman, to approve one concept and to include additional contact information. The motion was unanimously approved.
- Further revisions will be made to other ad copy concepts for approval at a later date.

MEMBER AND AFFILIATE SERVICES COMMITTEE

- An update was provided on the new option to return hard-copy transferred registration papers directly to buyers. Implementation is set for October 1, 2018.
- Staff reported on the process of updating the membership account information in our system.
- As requested by the Association Board, the Committee reviewed an email the Board received from a member regarding the fee charged for name changes. No action was taken. Staff will respond to the member regarding the inquiry.
- The Committee discussed staff protocol regarding membership notification in the event that a pedigree or genotype correction is necessary. Chuck Grove moved, Dave Hinman seconded, and it was unanimously approved to continue the protocol as follows:

In the event a pedigree or genotype correction is required, and the corrected animal has more than 1000 descendants at the time of correction, an official notification will be provided by the American Angus Association to the membership in the most appropriate way possible. The date when updated EPDs will be available would be included in the notification.

- Rules of the American Angus Association were reviewed regarding parentage requirements and genetic condition testing as they relate to the requirements of registration. Committee Chairman Mike McCravy moved to recommend a proposed update to Rule 504 to the full Board; seconded by John Pfeiffer Jr. The motion was unanimously approved. (See *Board of Directors* section on page 6 for the approved revision.)

RESEARCH PRIORITIES COMMITTEE

- Research priorities were reviewed and discussed. To assist in setting priorities, Don Schiefelbein moved, seconded by James Coffey, to direct staff to develop a revised ranking of research priorities, taking into consideration the Angus Foundation's list, the Long-Range Strategic Plan research priorities, and the Committee's discussion, and to provide an updated list to the Committee for consideration.
- Research projects, previously funded and currently under way, were reviewed.
- Four research proposals were reviewed and discussed. No action was taken.

SPECIAL FEEDER CALF COMMITTEE AND ANGUS LINKSM UPDATE

- The Committee received an update on enrollment activity.
- Staff reviewed the similarities and differences between the Association's commercial programs, Angus Link and AngusSource[®]. Discussion included current and future synergies between the programs.
- Staff presented information supporting the \$Value indexes that drive the Angus Link scores as well as performance illustration data compiled from 37 groups of retroactively enrolled cattle.
- Staff discussed the important role key influencers can play in the success of the program and shared the strategy to gain support and participation. The Committee discussed primary influencers and tactics to develop brand ambassadors.
- The Committee discussed objectives and expectations of the two new components of Angus Link: Herd Builder and Female Replacement Score. James Henderson moved that the two new components be launched simultaneously. Jonathan Perry seconded the motion, and it carried unanimously.
- Staff provided a general Angus Link update, including website and enrollment overview; commercial programs outline; sales plan and activity; and FY 2019 financial overview and key goals.
- The Board reviewed proposed language for a disclaimer to be included on program certificates.

ANGUS FOUNDATION

- The Angus Foundation (the Foundation) Board approved minutes of the June 5, 2018, Board meeting.
- The financial status of the Foundation was reviewed for the ten-month period ending July 31, 2018. Total assets were \$21,115,900, and consisted of current assets of \$573,500,

investments of \$20,540,600, and non-current assets of \$1,800. Current liabilities were \$54,700 consisting of accounts payable, and accrued liabilities. Long-term liabilities of \$24,000 consisted of accrued health insurance benefits. Net income for the period ending July 31, 2018, was \$699,600.

Financial projections for the year ending September 30, 2018, were reviewed. The net income for the year then ending was projected to be positive.

Barry Pollard moved, seconded by Alan Miller, to approve the financial report. The motion was unanimously approved.

- The proposed budget for FY 2019 was presented. Barry Pollard moved, seconded by Dave Nichols, to approve the FY 2019 budget. The motion was unanimously approved.
- Staff provided an update on the organization's operations, marketing and resource development activities.
- Doug Stevenson of Basin Angus Ranch, Joliet, Montana, was nominated to fill the vacant Angus Breeder position on the Foundation's Resource Development Committee, completing the remaining year of the position's three-year term. Barry Pollard moved, seconded by Alan Miller, to elect Stevenson. The motion was unanimously approved.
- The structure and length of terms of the Resource Development Committee were reviewed. Barry Pollard moved, seconded by Lamar Steiger, that individuals can serve two consecutive three-year terms, including the balance of a vacant term filled. The motion was unanimously approved.
- Lamar Steiger moved, seconded by Alan Miller, to authorize staff to determine the number of live auctions to be offered at the Angus Foundation Supporter Recognition Event. The motion was unanimously approved.

ANGUS GENETICS INC.

- The minutes of the June 6, 2018, meeting of the Angus Genetics Inc. (AGI) Board had been previously distributed. Mick Varilek moved, seconded by Alan Miller, to accept the minutes as provided. The motion carried unanimously.
- A financial report and a proposed budget for FY 2019 were presented. Total assets as of July 31, 2018, were \$739,900, and consisted of current assets of \$692,600, fixed assets of \$21,300, and non-current assets of \$26,000. Current liabilities were \$385,400 consisting of accounts payable and accrued liabilities. Long-term liabilities of \$5,000 consisted of accrued health insurance benefits. Net income for the period ending July 31, 2018, was \$108,900.

Financial projections for the year ending September 30, 2018, were reviewed. The net income for the year then ending was projected to be positive.

John Grimes moved, seconded by James Henderson, to approve the financial report and FY 2019 proposed budget. The motion passed unanimously.

- Staff updated the Board on AGI research projects, including a project investigating the genetics of immunity in Angus cattle and efforts toward developing a genome sequence repository.
- Staff also provided an update on genomic testing services provided by AGI. The reduced price implemented last year for genomic profiles has saved the membership nearly \$1.5 million dollars in testing costs.

ANGUS PRODUCTIONS INC.

- Barry Pollard moved to approve the minutes of the June meeting of the Angus Productions Inc. (API) Board of Directors as presented. Mike McCravy seconded the motion, which passed unanimously.
- A financial report was presented. Total assets as of July 31, 2018, were \$2,591,900, and consisted of current assets of \$861,500, investments of \$1,217,300, property and equipment of \$219,500 and non-current assets of \$293,600. Current liabilities were \$911,000 consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$759,500 consisted of deferred compensation and accrued health insurance benefits. Net loss for the period ending July 31, 2018, was \$187,300.

Financial projections for the fiscal year ending September 30, 2018, were reviewed. They were expected to show a net loss for the year due to revenues being down.

Barry Pollard moved to accept the 2018 financial report as presented. James Coffey seconded the motion, which passed unanimously.

- Chuck Grove moved to accept the FY 2019 budget as proposed. James Coffey seconded the motion, which passed unanimously.
- Staff reported on the following topics:
 - General plans for the next eighteen months;
 - The anticipated timeline for the sale book portal project, with full development by March 2019 and a formal launch in June 2019;
 - A summary on developing a model for sale book pricing;
 - The successful launch and reception of the redesign of the *Angus Beef Bulletin* and ongoing efforts to increase circulation levels; and
 - Highlights of the October issue of the *Angus Journal* and editorial team activities.
- It was reported that the editorial team had provided real-time coverage of symposiums presented by the Beef Improvement Federation (www.bifconference.com) and Applied Reproductive Technologies in Beef Cattle (www.appliedreprostrategies.com).
- Angus had a good contest showing at the 2018 Ag Media Summit, receiving 6 firsts, 15 seconds, 3 thirds and 10 honorable mentions. Steve Suther of Certified Angus Beef LLC was recognized with the Livestock Publication Council's Hall of Fame Award, and Association Board past president Minnie Lou Bradley of Bradley 3 Ranch, Texas, received LPC's Headliner Award.

CERTIFIED ANGUS BEEF LLC

- Finances through July 2018 reflected a strong bottom-line with income currently exceeding budget by nearly 7%. Expenses for the year were expected to increase in the marketing and public relations areas resulting in an expected bottom line around \$625,000 for fiscal 2018.
- The brand experienced strong sales through August and projected sales to end the fiscal year up 8%. All divisions were showing growth with International, Retail and Foodservice experiencing sales growth of 15.4%, 8.7% and 6.5%, respectively.
- Certified cattle numbers were up 16.4% and were averaging 100,000 certified carcasses per week for the fiscal year.
- Progress has continued with regard to getting all the necessary university and state approvals to potentially construct a *Certified Angus Beef*® brand Learning Center at The Ohio State University Agricultural Technical Institute in Wooster.

- The 2019 proposed budget reflected an increase of \$808,000 in revenue and an expected bottom line of \$215,000. Jerry Connealy moved to approve the budget. The motion was seconded by Jonathan Perry and passed unanimously.
- At the next CAB Board of Directors meeting, the Board will further discuss potential brand actions to more effectively communicate the intent of the Beef Quality Assurance (BQA) program to customers and consumers and research needs pertaining to fed-cattle health during the latter stages in the feeding period.

BOARD OF DIRECTORS

- President Yon reported that the minutes of the regular Board of Directors meeting held June 5-7, 2018, were unanimously approved by an email vote completed on August 22, 2018.
- A financial report for the Association was presented for the period ending July 31, 2018. Total assets were \$24,728,100, and consisted of current assets of \$904,300, investments of \$17,297,800, and property, equipment and goodwill of \$6,526,000. Current liabilities were \$1,387,400 consisting of accounts payable, notes payable, accrued liabilities and deferred income. Long-term liabilities of \$705,600 consisted of notes payable, deferred compensation and accrued health insurance benefits. Net income for the period ending July 31, 2018, was \$686,100.

Financial projections for the year ending September 30, 2018, were reviewed. The net income for the year then ending was projected to be positive.

The FY 2019 budget was discussed. Financial reports, projections, and the FY 2019 budget were unanimously approved as moved by Don Schiefelbein and seconded by James Coffey.

- On a recommendation from the Member and Affiliate Services Committee, Mike McCravy moved, seconded by John Pfeiffer Jr., that the Board approve the proposed change to Rule 504 (*revision in italics*). The motion was unanimously approved, and the Breeder's Reference Guide was updated to read as follows:

Rule 504: DNA-Marker-Typing ([click here](#))

A record of the DNA-marker type, or blood type if identified before January 1, 2001, of all bulls that are the source of semen for the purpose of Artificial Insemination must be filed with the Association before calves that are sired artificially by such bulls shall be eligible for registration or before "Out of Herd" AI Service Certificates may be obtained from the Association.

The full suite of known commercially available tests for the genetic conditions monitored by the American Angus Association will be required for all bulls, born on or after January 1, 2018, that are the source of semen for the purpose of Artificial Insemination.

- The Member and Affiliate Services Committee will review all aspects of parent-verification concerns and will report to the Board with a list of pros and cons for consideration.
- Mick Varilek moved, seconded by James Coffey, to approve procedural documents for the Annual Convention of Delegates: (1) a memo from the Board of Directors to the delegates and alternate delegates, (2) the Order of Business, (3) convention procedures, and (4) election procedures. The motion was unanimously approved. The documents will be sent to delegates and alternates delegates prior to the Annual Convention of Delegates.
- James Coffey moved, seconded by Jonathan Perry, to appoint John Pfeiffer Jr., Don Schiefelbein, and David Dal Porto to serve on the Nominating Committee to propose slates of candidates for the Boards of Directors of the Angus Foundation, Angus Genetics Inc., Angus Productions Inc., and Certified Angus Beef LLC. The motion was unanimously approved.

- Jonathan Perry moved, seconded by Dave Hinman, to approve a resolution to elect Lamar Steiger to serve a one-year term as an Outside Representative on the Board of Directors of the Angus Foundation. The term will begin on November 5, 2018. The motion was unanimously approved.
- Jerry Connealy moved, seconded by Alan Miller, to approve Dr. Larry Kuehn to serve as an industry liaison to advise the Boards of the Association and subsidiaries. The motion was unanimously approved.
- Jonathan Perry moved, seconded by James Henderson, to approve a resolution to amend the Operating Agreement of Certified Angus Beef LLC to allow the current Industry Representative to serve a third three-year term. The motion was unanimously approved.
- John Grimes moved, seconded by Mick Varilek, to approve a resolution to elect Dwight “Kip” Palmer to serve a three-year term as an Industry Representative on the Board of Directors of Certified Angus Beef LLC. The term will begin on November 5, 2018. The motion was unanimously approved.
- Don Schiefelbein nominated John Pfeiffer Jr. to serve as the Association’s President and Chairman of the Board of Directors for 2019; seconded by James Henderson. Mick Varilek moved, seconded by Jonathan Perry, that the nomination be approved by acclamation. The motion was unanimously approved.
- Jonathan Perry nominated Don Schiefelbein to serve as the Association’s Vice President and Vice Chairman of the Board of Directors for 2019. The nomination was approved unanimously.
- John Grimes moved, seconded by Alan Miller, to elect David A. Dal Porto to serve as the Association’s Treasurer for 2019. The motion was unanimously approved.
- Jonathan Perry moved, seconded by Alan Miller, that the Board unanimously endorse the nomination of John Robert Crouch, former Chief Executive Officer of the Association, for induction into the Saddle and Sirloin Club Portrait Gallery in 2020. The motion was unanimously approved.
- The Board approved committee reports as follows:
 - Breed Improvement Committee: motion to approve report by John Grimes, second by Mick Varilek, unanimous approval.
 - Events and Education Committee: motion to approve report by Chuck Grove, second by David Dal Porto, unanimous approval.
 - Finance and Planning Committee: motion to approve report by Don Schiefelbein, second by James Coffey, unanimous approval.
 - Industry Relations Committee: motion to approve report by James Coffey, second by Mick Varilek, unanimous approval.
 - Member and Affiliate Services Committee: motion to approve report by Mike McCravy, second by Dave Nichols, unanimous approval.
 - Research Priorities Committee: motion to approve report by John Pfeiffer Jr., second by Don Schiefelbein, unanimous approval.
 - Special Feeder Calf Committee: motion to approve report by Jerry Connealy, second by Jonathan Perry, unanimous approval.

NEXT REGULAR BOARD MEETINGS

- November 2 and 5, 2018, Columbus, Ohio