

AMERICAN ANGUS ASSOCIATION®
HIGHLIGHTS OF THE MEETING OF THE BOARD OF DIRECTORS
FEBRUARY 20-23, 2018

The following is a review of topics discussed and action taken during the meeting of the Board of Directors held February 20-23, 2018, in St. Joseph, Missouri.

ACTIVITIES COMMITTEE

- 2018 and 2019 National Western Stock Show (NWSS) Angus Bull Sale/Show
 - David Gazda presented the 2018 NWSS Angus Bull Sale report.
 - John F. Grimes nominated Ronnie Kreis, and Jonathan Perry nominated Joe Goggins, to serve as the auctioneer for the 2019 NWSS Angus Bull Sale. Joe Goggins was selected by a vote of four (4) to one (1).
 - David A. Dal Porto moved, seconded by Alan Miller, to switch the order of the NWSS Angus bull shows to allow time to put the sale bulls on display. Roll of Victory (ROV) bulls will show at 8 a.m. on Wednesday of the NWSS, followed by the NWSS Angus Bull Sale show with time allotted to parade sale bulls. Motion passed unanimously.
 - Jonathan Perry moved, seconded by John F. Grimes, to make the requirements more flexible for breeders to qualify for the NWSS Bull Sale. Bulls consigned must be in the top 50 percentile of at least half (5) of the following ten (10) core traits: CED, BW, WW, YW, Milk, SC, MAR, REA, \$W, \$B. Bulls must be DNA tested by the time of entry. Motion passed unanimously.
- 2018 National Western Stock Show (NWSS)
 - Discussion was held on the 2018 NWSS. It was decided that cattle will only be able to weigh if the respective class has been called to the line-up area, per staff discretion.
 - Staff was directed to look into different options to present the judges' cards in a way that is easier for judges to interpret and evaluate. Options will be presented at the June Board meeting.
 - Jonathan Perry moved, seconded by John F. Grimes, to include intramuscular fat (IMF) and Ribeye Area (REA) in the NWSS Pen and Carload Show and the Angus Sale Bull Show. The ROV Bull Show at NWSS will continue with the current ultrasound protocol. Motion passed unanimously.
- Roll of Victory (ROV) Shows
 - Alan Miller moved, and David A. Dal Porto seconded, to designate the 2018 American Angus Breeders' Futurity Show as a Super Point ROV Show in the 2018-2019 show year. Motion passed unanimously.
 - Alan Miller moved, seconded by John F. Grimes, to require the Northern International Livestock Exposition (NILE) committee to provide the names of three judges to the Activities Committee for the 2019 ROV Show or lose ROV status. Motion passed unanimously.
- Judge Selection
 - A slate of judges was approved for the 2018-2019 ROV show season and the 2018 National Junior Angus Show (NJAS) and Eastern Regional Junior Angus Show, as moved by Jonathan Perry and seconded by Alan Miller. Motion passed unanimously.

- Other Business
 - The proposed NJAS Policy and Host State Contract was discussed. A sub-committee was formed to continue review of the proposal. Alan Miller, John F. Grimes and Chuck Grove will serve on the committee.
 - Angus Heritage Foundation selection procedures were reviewed.
 - Staff reported on proposed revisions to the guidelines for premier breeder and premier exhibitor. Alan Miller moved, seconded by Mike McCravy, to adopt the proposed revisions to the Premier Breeder Guidelines. Motion passed unanimously. No action was taken on guidelines for premier exhibitors.
 - Jonathan Perry moved, seconded by Alan Miller, to increase each premium by \$40 for animals in the Phenotype and Genotype Show (PGS) at the Eastern Regional Junior Angus Show. Motion passed unanimously.
 - The Activities Committee stated its unanimous support of staff discretion to determine staff attendance at regular ROV Shows.

BREED IMPROVEMENT COMMITTEE

- Staff reviewed the recently released Foot Structure research EPDs and ideas for increased data collection. Future integration into the weekly Angus Genetic Evaluation was discussed.
- Staff reviewed future plans and presented recommendations for Angus \$Values, including updates to economic assumptions. Don Schiefelbein moved to approve the proposed change, whereby the economic assumptions of Angus \$Values would be based on a seven-year rolling average rather than the current three-year. James W. Henderson seconded the motion, which passed unanimously.
- Don Schiefelbein moved to direct the Association staff to conduct some preliminary research on the concept of a comprehensive index with results to be reviewed by the Board of Directors. Jerry Connealy seconded the motion, which passed unanimously.
- In response to member inquiries about a genetic evaluation for udder traits in Angus cattle, staff presented information on such an evaluation, and recommendations from the Beef Improvement Federation (BIF). Staff will modify existing scoring systems to increase relevance to Angus cattle and will develop a data submission process for members.
- Staff reviewed currently implemented disposal codes, including those recommended by BIF and others specifically used in Angus. Additional codes will be added as deemed useful, based on recommendations from directors and members.
- Staff presented a proposal to incentivize participation in MaternalPlus®. James W. Henderson moved, and Johnathan Perry seconded, to implement the proposal. The motion carried unanimously.

FINANCE AND PLANNING COMMITTEE

- The Committee reviewed balance sheets and income statements for the period ending January 31, 2018. Total assets on the consolidated financial report were \$68,342,000, consisting of current assets of \$11,185,000, investments of \$47,072,000, property and equipment of \$9,764,000 and non-current assets of \$321,000. Current liabilities were \$4,065,000, consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$2,097,000 consisted of notes payable, accrued health insurance benefits and deferred compensation. Net income for the period ending January 31, 2018, was \$6,150,000.

- The Committee discussed the annual audit of Association records. Don Schiefelbein moved, seconded by David A. Dal Porto, to use CliftonLarsonAllen, LLP for the annual audit of the American Angus Association and its subsidiaries. The motion was unanimously approved.

MEMBER AND AFFILIATE SERVICES COMMITTEE

- The Committee discussed a letter received from Association member Byron Tuckwiller regarding AI certificates. No action was taken regarding current AI Certificate protocol.

RESEARCH PRIORITIES COMMITTEE

- The Committee reviewed proposals on four potential research projects:
 1. Entertaining the prospect of genotype by environment interaction in national cattle evaluation; request from Delta G and Michael D. MacNeil, PhD;
 2. Developing Angus breeding indexes; request from AbacusBio LTD, New Zealand;
 3. Creating an internship for feet and leg structure; request by Angus Genetics Inc. (AGI);
 4. Translating high immune response (HIR™) genomics to improve beef cattle health and welfare; request by AGI.
- Don Schiefelbein moved, seconded by Dan Moser, that the Committee take the following action:
 - Recommend to the Angus Foundation Board of Directors that Proposals 1 and 3 be considered for funding by the Foundation;
 - Refer Proposal 2 to the staff of Angus Genetics Inc. for (a) consideration of other potential funding sources, and (b) recommendation of such funding sources as they deem appropriate; and
 - Revisit funding of Proposal 4 in the future upon consideration of additional information regarding potential collaboration with Angus Australia.

The motion was unanimously approved.

ANGUS FOUNDATION

- The financial status of the Angus Foundation was reviewed. As of January 31, 2018, total assets were \$21,302,000, and consisted of current assets of \$675,000, investments of \$20,625,000, and non-current assets of \$2,000. Current liabilities were \$27,000 consisting of accounts payable, and accrued liabilities. Long-term liabilities of \$24,000 consisted of accrued awards and accrued health insurance benefits. Net income for the period ending January 31, 2018 was \$913,000. Barry Pollard moved to accept the financial report. Richard M. Dyar seconded the motion. Motion passed unanimously.
- President Milford Jenkins and Director of Development Rod Schoenbine updated the directors on the organization's operations and activities as well as fundraising plans and strategies for FY 2018.
- Alan Miller moved that the Angus Foundation conduct the heifer package fundraiser at the 2019 National Western Stock Show. Richard M. Dyar seconded the motion. Motion passed unanimously.
- Three beef cattle research projects were recommended by the American Angus Association Research Priorities Committee (RPC) for funding by the Angus Foundation. Research projects funded by the Angus Foundation are contingent on contractual agreements.

1. Entertaining the Prospect of Genotype by Environment Interaction in National Cattle Evaluation – A funding request from Delta G was considered. Alan Miller moved, seconded by Dave Hinman, to approve funding for this one-year project. The motion passed unanimously.
 2. Emphasis on Improving Feet and Leg Structure of Angus Cattle to Improve Performance and Production Longevity – A funding request from Angus Genetics Inc. was considered. Lamar Steiger moved, seconded by Barry Pollard, to approve funding for this one-year project. The motion passed unanimously.
 3. Developing Angus Breeding Indexes for Angus Genetics Inc. – American Angus Association – Funding request from AbacusBio Limited for the first year of the project was considered. Barry Pollard moved, seconded by Alan Miller, to approve funding for this project. The motion passed unanimously.
- Staff, as directed by the Angus Foundation Board of Directors in September 2017, presented a resource development (fundraising) plan for beef cattle research. Three options were considered and discussed. Alan Miller moved, seconded by Richard M. Dyar, that the Angus Foundation move forward implementing a \$1.0 million campaign “*Angus: Researching New Frontiers*” focused on the American Angus Association’s Long Range Strategic Plan (LRSP) priorities adopted November 2016, of fertility, feet and leg structure, health, genomics and other research priorities determined by the Association’s Research Priorities Committee. The motion passed unanimously.
 - Richard Dyar moved, seconded by Barry Pollard, that the Angus Foundation adopt a Code of Business Conduct and Ethics for Non-Employee Officers and Members of the Board of Directors. The motion passed unanimously.
 - Directors Richard M. Dyar and Lamar Steiger volunteered to serve on the 2018 Angus Foundation Undergraduate and Graduate Student Scholarship Selection Committee.
 - Directors Dave Nichols and Barry Pollard volunteered to serve on the 2018 Allied Angus Breeders Undergraduate Scholarship Selection Committee.
 - Barry Pollard moved, seconded by Alan Miller, to recommend that the American Angus Association Board of Directors approve a donation of \$250,000 from the Association’s existing designated research reserves to the Angus Foundation for “*Angus: Researching New Frontiers*” \$1.0 million fundraising campaign for beef cattle research. Motion passed by a vote of six (6) in favor and one (1) opposed.

ANGUS GENETICS INC.

- A financial report for Angus Genetics Inc. (AGI) was presented. As of January 31, 2018, total assets were \$1,696,000, consisting of current assets of \$1,670,000, and non-current assets of \$26,000. Current liabilities were \$1,128,000 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 January 31, 2018 was \$322,000. James W. Henderson moved and Mick Varilek seconded to accept the financial report. The motion carried unanimously.
- AGI President Dan Moser welcomed two new AGI customer service representatives to the team and reported on new developments in the beef genomics business.
- Larry Kuehn, U.S. Meat Animal Research Center (MARC) Research Geneticist and Association industry liaison, reviewed his organization’s evaluation of the Angus Single Step Evaluation.
- Dan Moser and Stephen Miller discussed international activities and opportunities for AGI. AGI Service Director Kelli Retallick provided an update of genetic evaluation and genomic

testing services conducted by AGI. Additional services requested by the Canadian Charolais Association and the American Maine-Anjou Association are in development.

ANGUS PRODUCTIONS INC.

- A financial report was presented. As of January 31, 2018, total assets were \$3,027,000, and consisted of current assets of \$1,341,000, investments of \$1,211,000, property and equipment of \$181,000 and non-current assets of \$294,000. Current liabilities were \$1,122,000 consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$753,000 consisted of deferred compensation and accrued health insurance benefits. Net income for the period ending January 31, 2018, was \$43,000.
- Barry Pollard moved to adopt a Code of Business Conduct and Ethics for Non-Employee Officers and Members of the Board of Directors. James S. Coffey seconded the motion, which passed unanimously.
- President Rick Cozzitorto presented a review of the last six months, highlights of which included the launch of the *Angus Journal* redesign and the move to a new printer with the January 2018 issue. Operations Manager Grant Schwader provided details about the move.
- Cozzitorto shared plans for reorganization of editorial into two teams, one to focus on the *Angus Journal* and one to focus on the *Angus Beef Bulletin*.
- Staff reported on API's consolidated printing project for sale books and shared the details of a new pricing structure for inserts and sidekicks (materials polybagged with the magazine), as well as a new corporate pricing structure.
- General Manager Sara Reardon introduced several new team members.
- The API team was able to secure considerable new business during the Cattle Industry Convention and NCBA Trade Show.
- Reardon gave a status report of channel cuts and reorganization that have moved much of the pertinent online content to *angus.org*. Newer technology will make the digital edition of the *Angus Journal* available to subscribers through AAA Login.
- The soft launch of Angus Sales TV at the National Western Stock Show was successful.
- Additional improvements in technology will enhance the customer experience, particularly with more automated digital asset management for advertisers.

CERTIFIED ANGUS BEEF LLC

- Brent Eichar reviewed the finances through January 2018, reflecting a strong bottom-line. Income was currently exceeding budget by a few percentage points for the first 4 months of the fiscal year. Expenses were expected to be as budgeted. The strong bottom line currently was mostly a timing issue in which many of the expenses would be incurred over the summer. He also shared that the savings, after the first two years of implementing the self-insurance program, was \$665,000. Mick Varilek moved to approve the financial report. The motion was seconded by James W. Henderson and passed unanimously.
- President John Stika updated the Board on the Foodservice Leaders' Summit that was currently taking place in California and highlighted the new *Certified Angus Beef*® Brand University online training module.
- An update was provided on the cooperative agreement reached with Angus Australia and the positive progression taking place as each organization takes steps to fulfill its obligations. The Board received a brief progress report on the *Certified Angus Beef*® Learning Center at OSU/ATI. It would likely be fall 2018 before all university and state approvals are granted and construction could begin. The Board discussed the financials and

acknowledged their continued support of their June 17, 2017, motion for staff to continue to pursue the project. All acknowledged that another vote would be necessary to confirm the final direction of the project once all lease agreement and construction costs are clear.

- Staff shared an update on the 40th Anniversary #BrandTheBarn project.
- Under new business, Mark McCully provided an overview of CAB supply and price dynamics, noting that with the increase in slaughter numbers, the percentage of cattle qualifying as an Angus-type animal and the overall certification rate, the brand has seen an 11% increase in the USDA certified head counts. He reviewed the Gig-E camera adjustments that had been implemented by USDA and the impact on available product. He highlighted the growth in USDA Prime numbers, as well as CAB Prime availability. He concluded by reviewing market prices on both live cattle and the CAB cut-out, and shared packer survey results quantifying that more than 76 million dollars in grid premiums were paid to producers in 2017 for qualifying CAB carcasses.
- The brand is experiencing a sales growth rate of 6.4%, much of which has come from international. Foodservice and retail continue to post modest growth.
- At the recent Think Tank meeting, discussions included the realities of balancing marbling, carcass weight and fat thickness. The Think Tank had good attendance of significant industry stakeholders, and the group appreciated the dialogue and being a part of the topic. The discussion centered around the production realities of increased weights, the genetic influence and trend, Angus cattle carcass composition, and the challenges with increased carcass and subprimal weights.
- The Feeding Quality Forum will move to a two-day format at one location, facilitate more interaction between commercial cattleman and feedlots, and involve a packing company with optional area tours.
- Allen Moczygemba provided a summary of the discussions around the Feeder Calf Program, the use of the “Targeting the Brand” logo, and the opportunities for synergies in these efforts.
- President Stika shared some thoughts around the potential for elevating the objectivity involved in the carcass certification process and was supportive of looking at additional ways to continually improve and potentially refine the brand’s carcass specification as more technology is utilized in the process.

BOARD OF DIRECTORS

- A financial report for the Association was presented for the period ending January 31, 2018. Total assets were \$25,323,000, and consisted of current assets of \$1,501,000, investments of \$17,714,000, and property and equipment of \$6,108,000. Current liabilities were \$895,000 consisting of accounts payable, notes payable, accrued liabilities and deferred income. Long-term liabilities of \$703,000 consisted of notes payable, deferred compensation and accrued health insurance benefits. Net income for the Association for the period ending January 31, 2018 was \$1,775,500. James S. Coffey moved, seconded by Mick Varilek, to accept the financial report as presented. The motion was unanimously approved.
- Jonathan Perry moved, seconded by James S. Coffey, to approve the name of ANGUSLINK for the feeder calf program. The motion was unanimously approved.
- Don Schiefelbein moved, seconded by Jonathan Perry, to approve the following dates and sites for the Angus Convention. The motion was unanimously approved.
 - November 4-7, 2022 Salt Lake City (Nov. 7, Annual Convention of Delegates)
 - November 3-6, 2023 Orlando, Florida (Nov. 6, Annual Convention of Delegates)

- The Board considered a recommendation from the Angus Foundation Board of Directors regarding research funding. Following discussion, James S. Coffey moved, seconded by Alan Miller, that the Association approve a donation of \$250,000 from the Association's existing designated research reserves, to the Angus Foundation for the "*Angus: Researching New Frontiers*" \$1 million fundraising campaign for beef cattle research. The motion was approved by a vote of thirteen (13) in favor and three (3) opposed.
- The Board approved committee reports and recommendations:
 - Activities Committee report and recommendations: motion by Chuck Grove, second by John F. Grimes, unanimous approval.
 - Breed Improvement Committee report and recommendations: motion by John F. Grimes, second by James W. Henderson, unanimous approval.
 - Finance and Planning Committee report and recommendations: motion by Don Schiefelbein, second by David A. Dal Porto, unanimous approval.
 - Member and Affiliate Services Committee report and recommendations: motion by Mike McCravy, second by Dave Hinman, unanimous approval.
 - Research Priorities Committee report and recommendations: motion by John Pfeiffer Jr., second by James S. Coffey, unanimous approval.

NEXT REGULAR BOARD MEETING

- June 5-7, 2018, Charleston, South Carolina