

AMERICAN ANGUS ASSOCIATION®
HIGHLIGHTS OF THE MEETING OF THE BOARD OF DIRECTORS
JUNE 5-7, 2018

The following is a review of topics discussed and action taken during the meeting of the Board of Directors held June 5-7, 2018, in Charleston, South Carolina.

ACTIVITIES COMMITTEE / EVENTS AND EDUCATION COMMITTEE

- Alan Miller moved, seconded by Jonathan Perry, to approve changing the name of the Activities Committee to the Events and Education Committee to align with the current name of the American Angus Association's Events and Education Department. Motion passed unanimously.
- The Committee reviewed current judges' cards for Roll of Victory (ROV) and junior shows.
- The Angus Heritage Foundation Selection Committee presented the 2018 nominees. Jonathan Perry moved, seconded by John F. Grimes, to accept the 2018 nominations for the Angus Heritage Foundation. Motion passed unanimously.
- The Committee discussed proposed judges for the Northern International Livestock Exposition (NILE) ROV show. Alan Miller moved, seconded by Jonathan Perry, to approve the judge names submitted for the NILE ROV show. Motion passed unanimously.
- Discussion was held on show policies regarding the "white towel rule" and the National Junior Angus Show (NJAS) exhibitor/helper policy. The Committee supported staff to make changes at their discretion during the show season.
- The Committee discussed the NJAS Carcass Contest/Value Discovery Contest. No action was taken.
- Staff presented a proposed list of judges for the West Virginia ROV show. Mike McCravy moved, seconded by David A. Dal Porto, to approve the proposed list of judges for the West Virginia ROV Show. The motion passed unanimously.
- Jonathan Perry moved, seconded by John F. Grimes, to approve a proposed list of emergency judges for the ROV show season to be used if the current selected judge cannot attend. The motion passed unanimously.
- Chuck Grove moved, seconded by David A. Dal Porto, that the Association Board approve the report of the Activities Committee / Events and Education Committee. The motion was unanimously approved.

BREED IMPROVEMENT COMMITTEE

- Guest speakers reviewed selection indexes and reported on progress of the Angus \$Values update project.
- Staff reviewed the recently implemented updates to economic assumptions used to calculate Angus \$Values. The change to a seven-year average baseline value has resulted in less change than in prior years. Correlations between old and new \$Values were approximately 0.99.
- Staff summarized activity of the Structured Sire Evaluation program, including recently processed data on the second project progeny group. Staff also reviewed member response to the new MaternalPlus® incentive program, reporting a significant increase in program participation in recent months. Plans for interns and other staff to collect foot scores on older genotyped females were described, along with the results of a project to genotype influential legacy sires.

- John F. Grimes moved, seconded by Dave Nichols, that the Association Board approve the report of the Breed Improvement Committee. The motion was unanimously approved.

FINANCE AND PLANNING COMMITTEE

- The Committee discussed the budget planning process for the Association and the four entities for fiscal year 2019 (FY19).
- The Committee discussed the June 2019 Board meeting. James S. Coffey moved, seconded by Jerry Connealy, to approve an offsite June Board meeting in FY19. The motion passed unanimously.
- Don Schiefelbein moved, seconded by Barry Pollard, that the Association Board approve the report of the Finance and Planning Committee. The motion was unanimously approved.

INDUSTRY RELATIONS COMMITTEE

- Communications staff presented new concepts for the national advertising campaign for the Committee to review prior to unveiling in FY19.
- James W. Henderson moved, seconded by Mick Varilek, to add Chris Engel, the Director of Angus Link as staff support to the Industry Relations Committee. The motion was unanimously approved.
- James S. Coffey moved, seconded by James W. Henderson, that the Association Board approve the report of the Industry Relations Committee. The motion was unanimously approved.

MEMBER AND AFFILIATE SERVICES COMMITTEE

- Staff provided an update regarding the 2018 delegate election, including relevant dates.
- A member request was made to create an option for transferred hard copy papers to be returned directly to the buyers. Dave Hinman moved, seconded by John Pfeiffer Jr., to direct staff to create an option for members to have hard copy papers mailed directly to the buyers at a fee of \$3 per transferred certificate. The motion carried by a unanimous vote.
- Rules of the American Angus Association were reviewed and information was presented regarding the increased number of corrections required relating to parentage. Discussion focused on the recent trends, administration options and educational opportunities for our membership. It was moved by Dave Nichols, seconded by John Pfeiffer Jr., to adopt and utilize a best practices statement and to increase the DNA parentage correction fee for registered animals to \$5 beginning January 1, 2019. This motion was unanimously approved.
- Mike McCravy moved, seconded by Dave Nichols, that the Association Board approve the report of the Member and Affiliate Services Committee. The motion was unanimously approved.

RESEARCH PRIORITIES COMMITTEE

- The Committee reviewed two proposals that were both recommended to be presented to the Angus Genetics Board of Directors for consideration. (see Angus Genetics)
- Jonathan Perry moved, seconded by Jerry Connealy, that the Association Board approve the report of the Research Priorities Committee. The motion was unanimously approved.

SPECIAL FEEDER CALF COMMITTEE AND ANGUS LINKSM UPDATE

- Staff presented the findings that were referred to the Association Board from the Special Feeder Calf Committee meeting that was held May 15-16, 2018. The topics included:
 - Business Plan Overview
Angus Link aligns with the commercial programs goal of the Association’s Long-Range Strategic Plan. There is value in the program for Angus breeders, cow/calf producers, marketing channel organizations and cattle feeders. Appealing and communicating value to each of these target audiences will be critical to the success of the program.
 - Index Component Update
\$Beef, \$Grid and \$Feedlot will translate into Beef Score, Grid Score and Feedlot Performance Score. The three scores will be scaled with a range of 0-200. To keep the system simple and consistent, the industry average for all feeder calves will be 100 for each score.
 - Proof-of-Concept Trial Data
Three separate trials were presented in which Angus Genetics Inc. (AGI) retroactively enrolled cohorts of cattle and gathered their feedlot and carcass performance data. The trials showed that the model works well and scores and profitability are positively correlated. More trial work is being done.
 - Enrollment Requirements
 - ♦ Sire Group:
A minimum of 50% of the bulls used to sire an enrollment group must be registered Angus bulls. At least 75% of the bulls must be bulls that are registered with a breed association, and no more than 25% of the bulls used to sire an enrollment group can be non-registered bulls. Lastly, semen used for A.I. breeding will require proof-of-purchase to be on file.
 - ♦ Cow Herd:
Total number of calving females in the herd and a description of their breed composition. Additionally, all historical bull information provided will influence the genetic profile of the enrollee’s cow herd.
 - ♦ Calf Group:
Number of calves being enrolled and a description of the predominant coat color of the enrollment group.
 - Vaccination Protocol
Enrollment groups are required to receive at least one clostridial/blackleg vaccine, one 5-way MLV viral vaccine (or 2 doses of a killed equivalent), and one bacterial/Pasteurella vaccine. If the enrollee wishes to list in detail the health protocol used, there will be space on the marketing document.
 - Implementation Plan
The top priorities as we near the summer launch are hiring field staff representatives and a program administrator, completing the website and web-based enrollment platform, and finalizing the communication plan.
 - Financials
The program is tracking ahead of budget, and it is expected that expenses will be lower than the 2018 budgeted amount.
- James W. Henderson moved, seconded by John Pfeiffer Jr., that the Association Board approve the report of the Special Feeder Calf Committee. The motion was unanimously approved.

- Staff also presented an update of three additional program components to the Board:
 - Initial Enrollment Pricing Offer
 - Angus Link/AngusSource® Combination Pricing Recommendation
 - Minimum Angus Link Transaction Amount
- Jerry Connealy moved, seconded by Jonathan Perry, that the Association Board approve the Angus Link update. The motion was unanimously approved.

ANGUS FOUNDATION

- Minutes of the Angus Foundation Board of Directors meetings of February 22 and February 23, 2018, were considered. Alan Miller moved, seconded by Barry Pollard, to approve the minutes as distributed. Motion passed unanimously.
- A financial report was presented. Total assets were \$20,674,000, and consisted of current assets of \$510,000, investments of \$20,162,000, and non-current assets of \$2,000. Current liabilities were \$31,000 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 April 30, 2018 was \$282,000.
100% unrestricted gross revenue of \$28,445 from the 2018 Angus Foundation Annual Fund mail solicitation “*Angus & Your Future*” was allocated toward beef cattle research.
Financial projections for the year ending September 30, 2018 were reviewed. The net income from operations for the year then ending is projected to be \$524,800. Barry Pollard moved, seconded by Dave Nichols, to accept the financial report. Motion passed unanimously.
- President Milford Jenkins updated the directors on the organization’s operations and activities.
- Director of Development Rod Schoenbine reported on his communications with Angus breeders, allied industry and friends of the Angus breed about opportunities to support their Angus Foundation.
- Guest speaker Dr. Joseph Cassady, Department Head/Professor, Department of Animal Sciences, South Dakota State University, reported on the hair-shedding research project that is funded by the Angus Foundation.
- Staff reported that an Allied Industry position on the Foundation’s Resource Development Committee was vacant with one year remaining of the three-year term. Dr. Ashby Green, Neogen Beef Genomics Territory Manager, of High Springs, Florida, was nominated to fill the balance of the term. Richard M. Dyar moved, seconded by Barry Pollard, to elect Green. Motion passed unanimously.
- Recruitment of leadership gifts to Phase I of the new “*Angus: Researching New Frontiers*” drive is underway. Combined with the American Angus Association’s \$250,000 commitment, new gifts and pledges by individual directors and staff of both the American Angus Association and the Angus Foundation totaled nearly \$300,000 toward the overall goal to raise \$1 million for beef cattle research by December 31, 2020.
- Angus Foundation Outside Representative Lamar Steiger, a frequent speaker to 501(c)(3) not-for-profit organizations, presented on the topic of relational fundraising and encouraged Board members and staff to integrate in their advocacy of the organization’s mission.

ANGUS GENETICS INC.

- Minutes of the February 22, 2018, Angus Genetics Inc. (AGI) Board meeting were previously distributed. Mick Varilek moved, seconded by Alan Miller, to approve the minutes as provided. Motion carried unanimously.
- A financial report was presented. Total assets were \$1,449,000 and consisted of current assets of \$1,423,000, and non-current assets of \$26,000. Current liabilities were \$914,000 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 April 30, 2018, was \$289,000.

Financial projections for the year ending September 30, 2018 were reviewed. The net income from operations for the year then ending is projected to be \$2,800.

David A. Dal Porto moved, and James W. Henderson seconded, to accept the financial report. The motion passed unanimously.

- Staff reviewed developments in the beef genetics industry and announced a new genotyping services agreement with Zoetis. Several AGI staff members and collaborators will be speaking at the upcoming 50th Anniversary Beef Improvement Federation (BIF) meetings.
- The Board considered a recommendation from the Research Priorities Committee that AGI provide funding for the Angus Genome Project as budgets allow. Dave Nichols moved, and James W. Henderson seconded, to approve the recommendation. The motion passed unanimously.
- The Board also considered a recommendation from the Research Priorities Committee that AGI provide funding for the project “Translating High Immune Response (HIR™) Genomics to Improve Beef Cattle Health and Welfare,” in fiscal years 2019, 2020, and 2021. Dave Nichols moved, and Alan Miller seconded, to approve the recommendation. The motion passed unanimously.

ANGUS PRODUCTIONS INC.

- Minutes of the February 21, 2018, Angus Productions Inc. (API) Board meeting were approved unanimously on a motion by James S. Coffey that was seconded by Chuck Grove.
- A financial report was presented. As of April 30, 2018, total assets were \$3,120,000, and consisted of current assets of \$1,495,000, investments of \$1,161,000, property and equipment of \$171,000 and non-current assets of \$293,600. Current liabilities were \$1,067,000 consisting of accounts payable, accrued liabilities and deferred income. Long-term liabilities of \$726,000 consisted of deferred compensation and accrued health insurance benefits. Net income for the period ending April 30, 2018, was \$219,000.

Financial projections for the year ending September 30, 2018, were reviewed. The net income from operations for the year then ending was projected to be \$88,700. James S. Coffey moved, seconded by Barry Pollard, to accept the financial report. The motion passed unanimously.

- President Rick Cozzitorto shared the plans API is following to stabilize business and improve customer support, including accomplishments to date.
- Editor Shauna Hermel presented the prototype and vision for the newly-redesigned *Angus Beef Bulletin* that will premier this fall.
- General Manager Sara Reardon shared insights into Angus Media’s digital assets, along with staffing changes that have occurred since the February meeting.
- The new Editor of the *Angus Journal*, Julie Mais, was introduced.

CERTIFIED ANGUS BEEF LLC

- Minutes of the February 21, 2018, meeting of the Certified Angus Beef LLC (CAB) Board of Directors were approved previously via email.
- A financial report was presented. Through April 2018, brand finances reflected a strong bottom-line with income currently exceeding budget by 9%.

Total assets were \$18,450,000 and consisted of current assets of \$7,753,000, investments of \$7,260,000 and property and equipment of \$3,437,000. Current liabilities were \$1,099,000, consisting of accounts payable and accrued liabilities. Long-term liabilities of \$612,000 consisted of accrued health insurance benefits. Net income for the period ending April 30, 2018, was \$4,344,000.

Financial projections for the year ending September 30, 2018, were reviewed. The net income from operations for the year then ending is projected to be \$218,000.

Jonathan Perry moved to accept the financial report. The motion was seconded by John F. Grimes and passed unanimously.

- Brand sales exceeded prior year by 8.5% through April. All divisions are experiencing growth with International and Retail segments posting the largest increases.
- Supply continues to be very supportive of sales growth. With an increase in total fed-cattle slaughter, the number of Angus-influenced cattle available as well as improved quality grading and record CAB® brand acceptance rates, the brand has seen a 17.4% increase in certified carcasses.
- The Board discussed the current hurdles that exist in the industry preventing universal utilization of camera technology for beef carcass grading and brand certification. Efforts continue to identify approaches to elevate the use of such technologies that can further the level of objectivity applied during the certification process within licensed plants.
- Staff provided an update on the continuing efforts to utilize technology to enhance product quality and certification processes.
- In response to U.S. Cattlemen's Association petition regarding labeling of "fake meat", CAB did submit formal public comment in support of the petition to USDA-FSIS.
- Dialogue continues with the Ohio State University Agricultural Technical Institute regarding the possible construction of a CAB® brand Learning Center at the university farm in Wooster, Ohio, to be used to meet the increasing need to engage customers via hands-on real-world beef production education.
- Planning continues for CAB to host a portion of the National Angus Convention pre-convention tour at the CAB office and Culinary Center this coming November.
- A review of the brand's marketing and public relations efforts was shared, highlighting the #BrandtheBarn project, culinary school engagement, consumer recipe testing, trade advertising campaign, web search optimization tools, restaurant branding approaches, partner utilization of the new CAB® brand University training program, and various international marketing initiatives including our new Japanese website.
- With "Angus brand confusion" increasing in the marketplace, marketing approaches were discussed to further differentiate the CAB® brand and solidify its premium position with consumers globally.

BOARD OF DIRECTORS

- A financial report for the Association was presented. Total assets were \$24,748,000 and consisted of current assets of \$1,507,000, investments of \$17,100,000, and property and equipment of \$6,138,000. Current liabilities were \$970,211 consisting of accounts payable, notes payable, accrued liabilities and deferred income. Long-term liabilities of \$702,000 consisted of notes payable, deferred compensation and accrued health insurance benefits. Net income for the period ending April 30, 2018, was \$1,127,000.

Financial projections for the year ending September 30, 2018, were reviewed. The net income from operations is projected to be \$1,033,900.

Don Schiefelbein moved, seconded by James W. Henderson, to accept the financial report as presented. The motion was unanimously approved.

- James S. Coffey moved, seconded by James W. Henderson, to approve a proposed amendment to the previously approved minutes of the February 20-23, 2018, Board meeting. The motion was unanimously approved.
- The Board considered a resolution to approve an expense for genotype testing by AGI to enhance the Association database. Chuck Grove moved, seconded by Mick Varilek, to approve the proposed resolution. The motion passed by a vote of fifteen (15) in favor and one (1) opposed.
- James S. Coffey moved, seconded by Alan Miller, to appoint two Association members to serve as Election Observers for the 2018 delegate election: Tricia Holmes, Benton, Iowa, and Dr. Alan Mead, Barnett, Missouri. The motion was unanimously approved.
The appointments are required in the Association's Bylaws in Section 3.8 Election of Delegates.
- The Board approved committee reports as noted in each committee section.

NEXT REGULAR BOARD MEETING

- September 11-13, 2018, St. Joseph, Missouri