

ANGUS

THE BUSINESS BREED

AMERICAN ANGUS ASSOCIATION® HIGHLIGHTS OF THE MEETING OF THE BOARD OF DIRECTORS SEPTEMBER 12-15, 2022

The following is a review of topics discussed and action taken during the meeting of the Board of Directors held September 12-15, 2022, in St. Joseph, Missouri.

BREED IMPROVEMENT COMMITTEE

- Current rules of the Pathfinder® program were reviewed, specifically, how the within herd average for first calving is calculated. Staff presented relevant data which determined a within herd average age. Darrell Stevenson moved, seconded by Paul Bennett, to update the program information to enhance clarity. The motion was unanimously approved.
- Staff presented enrollment numbers after the close of the July enrollment period for both Angus Herd Improvement Records® (AHIR) program and MaternalPlus™.

COMMERCIAL PROGRAMS COMMITTEE

- An overview of AngusLinkSM enrollments was provided. While enrollments are down, likely related to drought conditions, summer video auction results show a strong demand for AngusLink enrolled cattle.

COMMUNICATIONS AND PUBLIC RELATIONS COMMITTEE

- Staff reported on the status of improvements to Angus.org. Improvements will provide increased functionality for both breeders and commercial cattlemen.
- Updates to Angus University, the Association's online learning module, were discussed.

EVENTS AND EDUCATION COMMITTEE

- Alan Miller moved, seconded by Jonathan Perry, to add a senior yearling bull division to the junior classifications. The motion was unanimously approved.
- It was the consensus of the Committee that rules for number of head at Roll of Victory (ROV) programs be strictly enforced.
- Alan Miller moved, seconded by Smitty Lamb, to update Breeder of the Year points to include points earned at all super and regular ROV shows with the inclusion of Best 6 Head points. The motion was unanimously approved.
- Jonathan Perry moved, seconded by Alan Miller, to add the verbiage set forth below to all classifications. The motion was unanimously approved.

Shows with less than one hundred head checked-in should be broke with no more than eight head in a class. Shows with 101-200 head, should not exceed ten - twelve head in a class. Shows with 201 head or more should not exceed twelve - fifteen head in a class.

- Alan Miller moved, seconded by Jonathan Perry, to add a fall heifer calf and fall bull calf division to the January-May classifications. The motion was unanimously approved.
- Electronic Identification (eID) as a primary form of identification was discussed. For the short term, all show cattle must be registered with a tattoo, freeze brand, or hot brand as either

primary or secondary identification. Staff will work towards creating a long-term electronic check-in process.

- Jonathan Perry moved, seconded by Alan Miller, to approve the judges slate for the 2023 Western Regional Junior Angus Show (WRJAS). The motion was unanimously approved.
- It was the consensus of the Committee that the 2024 Eastern Regional Junior Angus Show (ERJAS) be held in Harrisburg, Pennsylvania, June 20 through June 23, 2024.
- Concerns brought forward in a letter from a breeder regarding the Angus show ring were reviewed. No action was taken.
- Alan Miller moved, seconded by Jonathan Perry, to approve the 2023-2024 ROV judges list. The motion was unanimously approved.

FINANCE AND PLANNING COMMITTEE

- Staff presented a financial report. Total assets on the consolidated financial report are \$79,314,900, consisting of current assets of \$14,648,600, investments of \$50,105,400, property and equipment of \$11,951,300 and non-current assets of \$581,300. Current liabilities are \$4,938,300 consisting of accounts payable, accrued liabilities, and deferred income. Long-term liabilities of \$2,054,700 consist of deferred compensation, accrued health insurance benefits, and a forgivable economic development grant liability. Consolidated net income for the period ending July 31, 2022, is \$2,448,800
- Projections of the financial results for the fiscal year that will end September 30, 2022, were presented for the American Angus Association (Association), its subsidiaries and affiliate.
- Staff presented the proposed budget for the Association for fiscal year (FY) 2023 which has projected revenue of \$16,431,800, expenses of \$16,727,400, non-operating income of \$305,000. The budgeted net gain for the year is \$9,400 after non-operating adjustments. Registration revenue is budgeted to be down just over 1% from the current FY 2022. The number of registrations budgeted is 300,000 at an average price of \$17.80/registration. Other core revenue sources are budgeted flat to current year forecast. Investment income of \$345,000 is budgeted. Fees received by the Association from its subsidiaries are budgeted at \$3,698,350. The proposed budget includes provisions for capital expenditures of \$1,147,500. Alan Miller moved, seconded by Jim Brinkley, to recommend adoption of the 2023 budget to the full board of the Association. The motion was unanimously approved.
- The Committee reviewed updates to the codes of conduct for directors and employees. Jim Brinkley moved, seconded by Alan Miller, to recommend these changes as proposed to the full board of the Association. The motion was unanimously approved.

MEMBER AND AFFILIATE SERVICES COMMITTEE

- It was the consensus of the Committee that staff explore methods for electronic processes for the nomination and election of delegates to the Annual Convention of Delegates.
- The Committee discussed fees as they relate to gene editing. Staff was directed to explore necessary programming and related efforts to further understand the operational needs of gene edited animals.
- Updates were discussed to reflect primary identification within rule 105. Mark Ahearn moved, seconded by Greg McCurry, to accept all edits as follows. The motion was unanimously approved.

Rule 105: Primary Identification Marks

a. Application and method of primary identification:

Each breeder shall be responsible for ensuring that the animals they register bear

a form of primary identification prior to application for registration. If electronic identification is to be utilized by a member as the primary form of identification, it can only be used in conjunction with a secondary identifier. Acceptable secondary forms of identification will include parentage markers, tattoos, freeze brand, hot brand, and/or a **dangle visual** tag.

b. Composition of permanent primary identification marks:

Each breeder shall devise a plan or system of permanent primary identification, utilizing a series of numbers, a series of letters or a combination of both, provided however that permanent primary identification marks shall be limited to a maximum of five (5) characters per animal. In connection with the arrangement of those five characters, breeders may use only Arabic numbers and capital letters. The use of any other characters, including joined letters, reversed letters, bars, punctuation marks and other types of symbols shall not be allowed under these Rules.

c. Prohibition on use of identical permanent primary identification marks in a calendar year:

No two animals of the same sex, born in the same calendar year and registered under the name of the first owner, shall be given identical permanent primary identification marks in the same calendar year.

d. Locations of permanent primary identification marks:

In the event that a breeder utilizes tattoos as a permanent primary identification mark, such mark shall be placed in both ears of each individual animal. In the event a breeder utilizes freeze-brand marks as a permanent primary identification mark, such mark shall be placed once on either side of each individual animal. In the event that a breeder utilizes a hot-branded mark as a permanent primary identification mark, such mark shall be placed once on either side of each individual animal.

e. Illegible permanent primary identification marks:

In the event that a permanent primary identification mark on an animal becomes illegible or unreadable, the same marking shall be placed in a new and separate location from the original permanent primary identification mark or in a location authorized by the American Angus Association. In no event, however, shall the breeder attempt to alter, or overprint the original permanent primary identification mark.

f. Inspection of permanent primary identification marks:

In the event the results of an inspection of permanent primary identification marks by an authorized representative of the Association reveals that permanent primary identification marks are absent, illegible, or not in conformity with registration, the following action may also be taken by that representative:

1. In instances where a registered animal is inspected with permanent primary identification marks absent, the first owner shall be required to document accuracy to the Association. DNA-marker-typing may be required before registration is validated, and new permanent primary identification marks are recognized.
2. In instances where a registered animal is inspected with two or more sets of conflicting permanent primary identification, DNA-marker-typing may be required in order to validate registration.
3. In instances where a registered animal is inspected with permanent

primary identification not in agreement with registration, the first owner shall be required to document accuracy to the Association. DNA-marker-typing may be required to validate registration.

- Discussion took place regarding the registration requirements and procedures involved with importing registrations from other Angus associations and societies recognized by the American Angus Association. Gerald Theis moved, seconded by Greg McCurry, to accept the proposed changes as follows. The motion was unanimously approved.

Rule 202: Application for registration

~~Registration may be applied for only by a member of the Association entitled to registration privilege who imported the animal and whose name appears as purchaser on the export certificate or embryo transplant certificate issued by the registry organization of the country from which the animal was exported at the fee established by the Board of Directors.~~

The request to import a registration into the American Angus Association registry shall come from or be approved by a member of the American Angus Association entitled to registration privileges. The request will need to be either from the breeder, first owner or current owner of the animal. If the request is not from a current owner, the request will need to include written authorization from a current owner along with the request to import the registration. The animal being imported into the American Angus Association registry must first be recorded within the registry of an association or society recognized by the American Angus Association as a member of the World Angus Secretariat. Registration will be issued subject to a fee established by the Board of Directors.

- Mark Ahearn moved, seconded by Gerald Theis, to edit rule 102 as follows to reflect the newly edited rule 202. The motion was unanimously approved.

Rule 102: Registration — Form, Content and Methods

The sire and the dam of any domestically bred animal, for which application for registration is made, must be registered with the American Angus Association. In the event the sire and/or dam of an animal originally recorded in a Herd Book recognized by the American Angus Association is domestically bred but is not registered with the American Angus Association, the animal must conform to the requirements of Rule 103.c and Rule 202 and be registered in a Herd Book recognized by the American Angus Association. (As amended June 10, 2021)

ANGUS FOUNDATION

- A financial report was presented. Total assets as of August 31, 2022, were \$23,652,000, and consisted of current assets of \$484,100, investments of \$22,967,800, and long-term pledges of \$200,000. Current liabilities were \$64,200 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$24,900 consisted of accrued health insurance benefits. Net loss for the period ending August 31, 2022, was (\$1,902,200). Unrealized investment losses reported on the income statement, through August 31, totaled \$3,200,000. It was noted that these unrealized losses are adjustments, on paper, to the market value of holdings and that no realized gain or loss (or change in cash) will occur unless the holdings are sold. Mark Ahearn moved, seconded by Loran Wilson, to approve the financial report. The motion was unanimously approved.
- Mark Ahearn moved, seconded by Tom McGinnis, to approve a balanced unrestricted budget for FY 2023. The motion was unanimously approved.

- The Angus Foundation Board welcomed Marcie Harward, the National Junior Angus Board (NJAB) Foundation Director. Harward provided an update and overview of NJAB activities and shared the impact of Foundation grants on junior Angus programs.
- The Board reviewed fundraising activities for the current year and discussed future plans for the heifer package, sale of pregnancies and Oklahoma Stars event.
- Staff provided an update on a bequest gift from Minix/Black Witch Farm. Tom McGinnis moved, seconded by Larry Gossen, to quasi endow the donation for the National Junior Angus Association (NJAA) stockman contest and Raising the Bar Conference.

ANGUS GENETICS INC.

- A financial report was presented. Total assets as of August 31, 2022, were \$2,238,800, and consisted of current assets of \$1,197,800, investments of \$948,100, fixed assets of \$76,400, and non-current assets of \$16,500. Current liabilities were \$1,292,400 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$12,900 consisted of accrued health insurance benefits. Net income for the period ending August 31, 2022, was \$511,400. Paul Bennett moved, seconded by Darrell Stevenson, to approve the financial report and the FY 2023 balanced budget. The motion was unanimously approved.
- Paul Bennett moved, seconded by Charles Mogck, to invest \$500,000 over the next several months into the investment portfolio. The motion was unanimously approved.
- Staff provided updates on several research projects including pulmonary arterial pressure and its potential relationship with bovine congestive heart failure, heifer fertility including heifer pregnancy and haplotypes, teat and udder scores, and joint Angus evaluations.
- Staff outlined updates for the functional longevity expected progeny difference (EPD) to predict how long Angus females stay in the herd and remain productive. Pending research progress, staff is targeting a research EPD release near the 2022 Angus Convention.
- After a full summer of comprehensive strategic planning, a revised mission, vision, and strategic intent statement was reviewed by the AGI Board. The revised statement reflects key goals and future objectives of AGI, focused on providing support to the Association and its membership. Paul Bennett moved, seconded by Gerald Theis, to adopt the updated statement. The motion was unanimously approved.

ANGUS PRODUCTIONS INC. d/b/a ANGUS MEDIA

- A financial report was presented. Total assets as of August 31, 2022, were \$3,301,400, and consisted of current assets of \$1,828,900, investments of \$828,800, fixed assets of \$495,600, and non-current assets of \$148,200. Current liabilities were \$1,904,100 consisting of accounts payable, accounts payable intercompany, accrued liabilities and deferred income. Long-term liabilities of \$288,200 consisted of accrued health insurance benefits. Net loss for the period ending August 31, 2022, was (\$304,400). Jonathan Perry moved, seconded by Alan Miller, to approve the financial report as presented. The motion was unanimously approved.
- John Dickinson moved, seconded by Darrell Stevenson, to approve a balanced budget for FY 2023. The motion was unanimously approved.
- Staff recognized Mary Black, who will retire in December 2022 after thirty-seven years of service to Angus Media, most recently as editorial graphic artist for the Angus Journal and the Angus Beef Bulletin.

- Staff explored topics related to revenue challenges related to fixed costs of paper, printing, and postage. Both steps taken and potential actions to address these challenges were discussed.
- Staff presented an overview of the recent Angus Media Marketing Summit hosted in Texas and plans for additional summits.
- Staff presented an overview of The Angus Conversation, the new podcast from the Angus Journal staff, along with highlights of Angus Beef Bulletin Audio and Angus at Work podcasts by the Angus Beef Bulletin team.

CERTIFIED ANGUS BEEF LLC

- A financial report was presented. Total assets as of August 31, 2022, were \$24,649,600, and consisted of current assets of \$9,335,600, investments of \$8,051,800, and fixed assets of \$7,262,200. Current liabilities were \$917,100 consisting of accounts payable, accounts payable intercompany, and accrued liabilities. Long-term liabilities of \$793,800 consisted of accrued health insurance benefits. Net income for the period ending August 31, 2022, was \$4,194,000. Travel expenses are exceeding budget due to higher costs and a return to pre-pandemic travel levels sooner than was budgeted, however, the budget (after adjustments for non-operating expenses and investment income) should be very close to a zero bottom-line depending on how investments perform in September. Dave Hinman moved, seconded by Alan Miller to approve the financial report. The motion was unanimously approved.
- The proposed FY 2023 budget included income growth of 7.1% (including a commission rate adjustment planned for January 2023) along with an increase of 3.7% in expenses reflecting a bottom line of \$71,600 after non-operating adjustments. Richard Dyar moved, seconded by Jim Brinkley to approve the FY 2023 balanced budget. The motion was unanimously approved.
- The brand is forecasting year-end sales at 1.234 billion pounds, an increase of 20 million pounds or 1.6% compared to the prior year. Sales growth was led by foodservice (+11.2%) and international (+1.7%) while retail will end the fiscal year down (-8.2%). Middle meats, grinds and value-added products all recorded increases with grinds and value-added products setting sales volume records.
- The percentage of Angus-type cattle amongst the fed-cattle harvest set an all-time record of 70.5% in fiscal 2022. Certified carcass volume hit 5.78 million head this year, down 2.2% from the record set the prior year at 5.91 million head. Acceptance rate ended the year at 35.5%, down 1.37 ppt. versus prior year.
- Plans continue to move forward with establishing a brand product line extension sourced directly from Association members. Based on consumer research, the product line will be labeled as Certified Angus Beef ® Ranch to Table. More information will be shared during Angus University at the National Angus Convention.

AMERICAN ANGUS ASSOCIATION

- A financial report for the Association was presented. Total assets as of August 31, 2022, were \$23,998,600, and consisted of current assets of \$2,355,900, investments of \$17,308,900, and fixed assets and goodwill of \$4,333,900. Current liabilities were \$1,314,100 consisting of accounts payable, accounts payable intercompany, accrued liabilities, and deferred income. Long-term liabilities of \$934,900 consisted of deferred compensation liability, accrued health insurance benefits, and a forgivable economic development grant liability. Net loss for the period ending August 31, 2022, was (\$49,900). Unrealized investment losses reported on the income statement, through August 31, totaled \$2,400,000. It was noted that these unrealized losses are adjustments, on paper, to the

market value of holdings and that no realized gain or loss (or change in cash) will occur unless the holdings are sold. Darrell Stevenson moved, seconded by Jonathan Perry, to approve the financial report. The motion was unanimously approved.

- Barry Pollard moved, seconded by Paul Bennett, to approve a balanced budget for FY 2023. The motion was unanimously approved.
- The Board approved Committee reports as follows:
 - Breed Improvement Committee: motion to approve report by Smitty Lamb, second by Darrell Stevenson, unanimous approval.
 - Commercial Programs Committee: motion to approve report by Jim Brinkley, second by John Dickinson, unanimous approval.
 - Communications and Public Relations: motion to approve report by Darrell Stevenson, second by Smitty Lamb, unanimous approval.
 - Events and Education Committee: motion to approve report by Gerald Theis, second by Alan Miller, unanimous approval.
 - Finance and Planning Committee: motion to approve report by Barry Pollard, second by Dave Hinman, unanimous approval.
 - Member Services Committee: motion to approve report by Richard Dyar, second by Mark Ahearn, unanimous approval.
- It was reported that Jonathan Perry has been elected to serve as the Association's Treasurer for 2023.
- Paul Bennett moved, seconded by Barry Pollard, to approve the following four procedural documents for the Annual Convention of Delegates:
 - (1) Order of Business.
 - (2) convention procedures.
 - (3) election procedures.
 - (4) a memo from the Board of Directors to the delegates and alternate delegates.

The motion was unanimously approved. The documents will be sent to delegates and alternate delegates prior to the Annual Convention of Delegates.

- Barry Pollard moved, seconded by Richard Dyar, to nominate Chuck Grove to serve as the Association's President and Chairman of the Board of Directors for 2023. The motion was unanimously approved.
- Mark Ahearn moved, seconded by Loran Wilson, to nominate Barry Pollard to serve as the Association's Vice President and Vice Chairman of the Board of Directors for 2023. The motion was unanimously approved.
- President Connealy appointed Chuck Grove, Barry Pollard, and Jonathan Perry 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. Darrell Stevenson moved, seconded by Jim Brinkley, to approve the nominations. The motion was unanimously approved.
- Jonathan Perry moved, seconded by Barry Pollard, to approve revisions to the 2022 Angus long range objectives. The motion was unanimously approved.

NEXT REGULAR BOARD MEETINGS

- November 4 and 7, 2022, Salt Lake City, Utah.