



Dear RAAA Member,

Following its approval during the 2009 Annual Membership Meeting in Mahanomen, MN, the 2015 RAAA Strategic Plan challenged leadership to streamline the Association's business model for both the membership and National Office. The RAAA Board approved the population of a Fee Structure Committee (FSC) which was composed of breeders of geographic diversity and varying herd size. The FSC's charge was to identify practices or policies in the Association's implementation of THR, registry processes, and billing procedures that could be altered or eliminated to operate more efficiently.

The plan also requires review of the fee structure's ability to generate sufficient revenue based on five year projections of inflation in various areas. This task was undertaken by RAAA's finance committee, a team of cattle breeders, business leaders, financial advisors and accountants.

The findings of both committees were presented to the Board during the June meeting and combined with projections of realistic breed growth by comparing recent RAAA trends in cowherd growth against declines in the US beef cow herd and heifer placements.

The Board approved the recommendations of the FSC, **with an effective date of July 1, 2010**. The key facets of which include:

- Elimination of Bull assessments and replacing lost revenue by an offsetting increase in cow assessments.
- Elimination of the \$9 Transfer Fees for subsequent transfers, bulls over 30 months of age, and females over 24 months of age and replacing lost revenue through an offsetting increase in cow assessments.
- Elimination of the \$1 per month "Late Transfer Fee", (\$1 late fee for each 30 days, after the first 60 days past the date of sale). This will be replaced with a three tier late transfer fee schedule:
1) 61 through 180 days, 2) 181 through 360 days, 3) greater or equal to 361 days
- Elimination of Non-Owner Bull Permits (AI Certificates) and replacing the lost revenue by offsetting increases in cow assessments.
- Elimination of Miscellaneous Fees which include such items as: Pedigree Corrections, Contemporary Group recalculations, animal name change (without progeny recorded), etc. Again, the lost revenue was replaced through an offsetting increase in cow assessments.
- Membership Dues and Joining Fees were increased to cover higher overhead (non inventory related expenses), specifically, their contribution to ARA Magazine subscription, which has not been addressed since the 80's.

Considering inflationary projections, and the impact of a shrinking national beef cow herd, the Board of Directors had a decision to make. They could take a defensive position – in essence, playing not to lose. Instead they budgeted breed improvement and marketing programs which will allow Red Angus to compete aggressively for market share. Cow assessments were set at \$20, and Membership Dues/Joining Fees were set at \$100.

The average RAAA member will see little change in overall registry/membership related expenses. Scenarios which represent RAAA members' herds are provided on the following pages, along with some supporting statistics. If you have questions about how this restructuring of fees will impact your herd specifically, please do not hesitate to call RAAA headquarters.

Yours truly,

Greg Comstock
CEO, RAAA

To better evaluate the impact of fee restructuring across the membership, many scenarios were sampled. As the first example shows, the average RAAA herd will see little change when the fee changes are viewed holistically. Of course, herds come in all shapes and sizes; few, if any, are "average". These scenarios are based on actual RAAA herds, and each fall within existing ranges of AI certificate usage, bull assessments, transfers and misc. fees over the past five years. **Aside from the change in fees, the new structure should allow members to spend less time managing paper and more time improving and marketing Red Angus.**

Average RAAA Herd: 35.7 cows, 4.4 Bulls, 12% of calf crop requires AI Certificates													
Fees	Herd Size	THR Fee	Cow THR \$	# AI's	AI Cost [3]	Transfer Fees	Misc. Fees	# Bulls	Bull THR \$	Cost Per Cow [1]	Annual Dues	Total Herd Cost [2]	Change
Old	35.7	\$15	\$535.50	4.25	\$127.50	\$17.85	\$7.85	4.4	\$66.00	\$21.14	\$60	\$814.70	RAAA Avg. Herd Saves \$0.70 annually
New	35.7	\$20	\$714.00	4.25	\$0	\$0	\$0	4.4	\$0	\$20.00	\$100	\$814.00	

1. Cost per Cow = Total of animal related fees (Cow assessments, AI Certificates, Transfers, Misc. Fees, and Bull assessments) divided by the number of cows in the herd.
2. Total Herd Cost = Total animal related fees + annual membership dues.
3. Based on an industry average of \$30 per AI Certificate.

100 Cows - No AI: 100 cows, 10 Bulls – all natural service													
Fees	Herd Size	THR Fee	Cow THR \$	# AI's	AI Cost	Transfer Fees	Misc. Fees	# Bulls	Bull THR \$	Cost Per Cow	Annual Dues	Total Herd Cost	Change
Old	100	\$15	\$1500	0	\$0	\$50.00	\$22.00	10	\$150	\$17.22	\$60	\$1782	This Herd Spends an additional \$318.00 annually
New	100	\$20	\$2000	0	\$0	\$0	\$0	10	\$0	\$20.00	\$100	\$2100	

100 Cows - Aggressive AI: 100 cows, 5 Bulls, 25% of calf crop requires AI Certificates													
Fees	Herd Size	THR Fee	Cow THR \$	# AI's	AI Cost	Transfer Fees	Misc. Fees	# Bulls	Bull THR \$	Cost Per Cow	Annual Dues	Total Herd Cost	Change
Old	100	\$15	\$1500	25	\$750	\$50	\$22	5	\$75	\$23.97	\$60	\$2457	This Herd Saves \$357 annually
New	100	\$20	\$2000	25	\$0	\$0	\$0	5	\$0	\$20.00	\$100	\$2100	

Note: In 2009-10, the average RAAA herd pays one bull assessment for every 8.1 cow assessments. The range of AI certificate usage in herds of 90 to 110 cows is from 1% to 33%. Annually, nearly 33% of all bulls are transferred late (more than 60 days after the date of sale).

25 Cows – Aggressive AI: 25 cows, 1 Bulls, 33.3% of calf crop requires AI Certificates													
Fees	Herd Size	THR Fee	Cow THR \$	# AI's	AI Cost	Transfer Fees	Misc. Fees	# Bulls	Bull THR \$	Cost Per Cow	Annual Dues	Total Herd Cost	Change
Old	25	\$15	\$375	8	\$240	\$12.50	\$5.50	1	\$15	\$25.92	\$60	\$708	This Herd Saves \$108 annually
New	25	\$20	\$500	8	\$0	\$0	\$0	1	\$0	\$20.00	\$100	\$600	

25 Cows – No AI: 25 cows, 2 Bulls													
Fees	Herd Size	THR Fee	Cow THR \$	# AI's	AI Cost	Transfer Fees	Misc. Fees	# Bulls	Bull THR \$	Cost Per Cow	Annual Dues	Total Herd Cost	Change
Old	25	\$15	\$375	0	\$0	\$12.50	\$5.50	2	\$30	\$16.92	\$60	\$483	This Herd Spends an additional \$117 annually
New	25	\$20	\$500	0	\$0	\$0	\$0	2	\$0	\$20.00	\$100	\$600	

Note: The average RAAA herd spends almost 50¢ per cow on transfer fees (Not including late transfer fees). The average RAAA herd spends approximately 22¢ per cow on Misc Fees (DNA record, pedigree correction, etc).

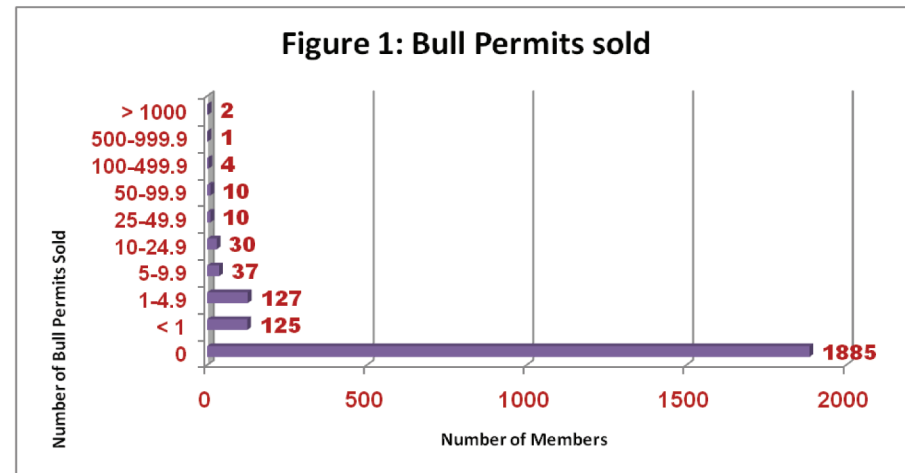
500 Cows: 500 cows, 40 Bulls, 9% of calf crop requires AI Certificates													
Fees	Herd Size	THR Fee	Cow THR \$	# AI's	AI Cost	Transfer Fees	Misc. Fees	# Bulls	Bull THR \$	Cost Per Cow	Annual Dues	Total Herd Cost	Change
Old	500	\$15	\$7500	45	\$1350	\$250	\$110	40	\$600	\$19.62	\$60	\$9870	This Herd Spends an additional \$230.00 annually
New	500	\$20	\$10,000	45	\$0	\$0	\$0	40	\$0	\$20.00	\$100	\$10,100	

Note: Herds of 500 or more cows, maintain between 2% and 16% of their cow numbers in bulls.

10 Cows - Limited AI: 10 cows, 1 Bull, 10% of calf crop requires AI Certificate													
Fees	Herd Size	THR Fee	Cow THR \$	# AI's	AI Cost	Transfer Fees	Misc. Fees	# Bulls	Bull THR \$	Cost Per Cow	Annual Dues	Total Herd Cost	Change
Old	10	\$15	\$150	1	\$30	\$5	\$2.2	1	\$15	\$20.22	\$60	\$262.20	This Herd Spends an additional \$37.80 annually
New	10	\$20	\$200	1	\$0	\$0	\$0	1	\$0	\$20.00	\$100	\$300	

10 Cows - Aggressive AI: 10 cows, 1 Bulls, 50% of calf crop requires AI Certificate													
Fees	Herd Size	THR Fee	Cow THR \$	# AI's	AI Cost	Transfer Fees	Misc. Fees	# Bulls	Bull THR \$	Cost Per Cow	Annual Dues	Total Herd Cost	Change
Old	10	\$15	\$150	5	\$150	\$5	\$2.2	1	\$15	\$32.20	\$60	\$382.20	This Herd Saves \$82.20 annually
New	10	\$20	\$200	5	\$0	\$0	\$0	1	\$0	\$20.00	\$100	\$300	

Note: The range of AI Certificate usage in herds of 9-11 cows is 0% to 70%, with an average of 15.7%.



Red Angus AI Facts...

Approximately 32% of RAAA's recorded calf crop is AI sired...well behind Black Angus (≈ 52%) and Simmental (≈ 45%).

A lower percentage of AI sired calves are registered in the RAAA than calves sired by natural service.

Between 2005 and 2008 the percentage of RAAA's recorded calf crop that has been registered using AI certificates fell from 14.1% to 9.4%.

Figure 1 - Volume of Non-Owner Bull Permit (AI Certificates) sold by RAAA's membership.

85 % of RAAA members have not sold one AI Certificate in the past 5 years.

Over the last five years, only 17 members sold an average of 50 or more AI Certificates annually (5 of those were bull studs).

Figure 2 - Aging AI Certificate Inventories.

Currently there are 22,000 AI Certificates in 2231 RAAA members' inventories.

71 % of those were released in 2005 or earlier.

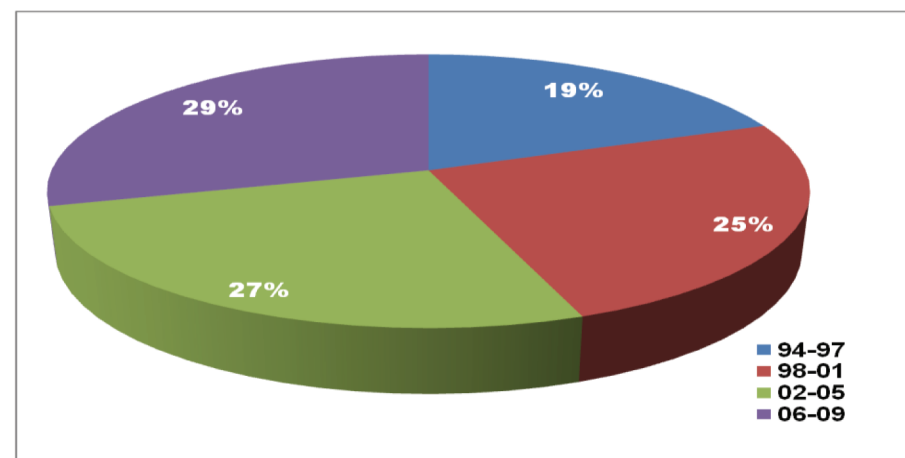


Figure 2: Aging AI Certificate Inventories



IMPORTANT!

RAAA MEMBER INFORMATION

Recent Changes in the RAAA Fee Structure Effective July 1, 2010