



REFLECTING ON 2013: PEDV AND ANIMAL RIGHTS THREATS TO OUR INDUSTRY

by Steve Weiss, President

As we close the holidays and start off the new year, it always seems appropriate to reflect on the events of the past year. For me, this means thinking about the accomplishments and challenges of the swine industry, and of course NUTRIQUEST.

2013 INDUSTRY EVENTS

It always amazes me the magnitude of events that we seem to face each year as swine producers. There is truly no such thing as a ho-hum year...though I know that many of us would long for that. Issues that affect our viability and our very existence seem to abound. Being in swine production truly is not for the faint of heart. As I think about 2013 in this regard, a few highlights are top of mind.

PEDv clearly has to be on the top of everyone's list in terms of industry challenges. A new virus tracked all the way from Southeast China to the central United States has wreaked havoc on a high percentage of U.S. production farms in 20 states, and counting; and also is spreading

in Mexico, where I've been told it has spread to five or six states. Thus far, I'm not aware of any breaks in Canada.

I don't need to describe the disease or its impact, but interestingly, as devastating a toll as it takes on a sow herd (sometimes resulting in 100% mortality of three to five weeks of pig production); it still is not nearly as devastating as PRRS continues to be for the industry. This is not to undermine its impact, yet PRRS was recently estimated to cost the industry \$664 million annually, or \$5 to \$6 per head.

We don't yet know enough to estimate the financial impact of PEDv. For a single sow herd that loses 6-10% of its annual production, one could surmise a \$3 to \$4 per head impact. However, it is not known what percentage of the North American sow herd will be impacted; also there is a setback in performance for nursery and finishing pigs that are impacted by the virus that has yet to be quantified.

Industry margins vary widely, but average margins per head of \$15 to \$20 over a hog cycle is probably typical. Knowing that two prevalent health challenges could wipe out half of those margins is a sobering thought.

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LOOK FOR THE NUTRIQUEST® TEAM IN 2014

by Paige Grabe, Marketing Coordinator

The NUTRIQUEST® team is gearing up for 2014 and preparing to participate in many swine, dairy and poultry trade shows and conferences throughout the year. We have compiled a list of events where our team will be present. Feel free to give us a call to arrange a meeting during one of these upcoming events.

WE LOOK FORWARD TO SERVING YOU IN 2014!

MN PORK CONGRESS

(January 14-15, Minneapolis, MN)

BANFF PORK SEMINAR

(January 21-23, Edmonton, Alberta, Canada)

IA PORK CONGRESS

(January 22-23, Des Moines, IA)

INTERNATIONAL PRODUCTION AND PROCESSING EXPO

(January 28-30, Atlanta, GA)

NEBRASKA POULTRY INDUSTRIES CONVENTION

(February 19-20, Norfolk, NE)

MIDWEST ANIMAL SCIENCE MEETING

(March 17-19, Des Moines, IA)

MIDWEST POULTRY FEDERATION CONVENTION

(March 18-20, St. Paul, MN)

WORLD PORK EXPO

(June 4-6, Des Moines, IA)

PSA ANNUAL MEETING

(July 14-17, Corpus Christi, TX)

JOINT ANIMAL SCIENCE MEETINGS

(July 20-24, Kansas City, MO)

ALLEN D. LEMAN SWINE CONFERENCE

(September 13-16, St. Paul, MN)

WORLD DAIRY EXPO

(September 30-October 4, Madison, WI)

PASSION FOR PIGS

(TBD, Columbia, MO)

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Perhaps more sobering is witnessing the degree and rate at which the PEDv virus has spread...a coronavirus, which is transferred only through the fecal-oral route. This particular virus appears to be so virulent, robust and contagious that there are reports of widespread transmission through trucks/trailers, human tracking, dust particles in the air, and even in feed components. Accordingly, it is likely that even a larger percentage of the North American swine herd will be impacted, and I've heard of no definitive answer as to the length of time that a sow may retain immunity from re-infection once she's been exposed. It is quite possible that this virus will continue to plague the industry on a large scale for some time.

Another lowlight this past year has been the continued onslaught of **Animal Rights Activists** with repeated pressures on our customers and consumers and the ever-present undercover video (which I liken to a drive-by shooting).

A major highlight, however, has been the efforts of Center for Consumer Freedom and HumaneWatch.org, exposing the true agenda of these groups: veganism for all and the demise of animal agriculture. During 2013, the UEP-HSUS sponsored legislation in Washington fizzled. In Florida, a farmer was paid over \$500,000 by the state government for the shutdown of his farm due to HSUS-sponsored legislation which was passed. In Colorado, an animal rights activist was arrested for not immediately providing undercover video to authorities to prevent animal abuse. HSUS tax returns indicated a year-over-year drop in funding of 6.5%. Also, there was a significant reduction in 2013 of the number of food retailers who caved into the demands of HSUS when being blackmailed by them.

We've been proud to be active in supporting this effort to communicate the truth to our customers and consumers. This battle is likely to continue, and we pledge to continue this support of our industry.

2013 NUTRIQUEST ACCOMPLISHMENTS

I'm proud to report that our business will finish another record year in 2013, with many accomplishments by the quality people that comprise our team.

We saw an increase in market penetration for our industry-leading **CEL-CAN**[®] product

as producers work to effectively manage large litters of lighter pigs at birth. Our new and improved **CEL-CAN** launched this fall, backed with additional quality research that the industry has grown to expect from **NUTRIQUEST**, has been very well received.

Our Delacon-Purina Animal Nutrition relationship, with leading phytogetic products **NEWtraStart**^{™1} for pigs and **BIOSTRONG**^{®2} for poultry, has also grown in the past year. As antibiotic growth promotants are likely being phased out of commercial production, these products provide producers a sound alternative.

We successfully launched a new specialty ingredient, **Evosure**[™], developed specifically to optimize starter pig performance. Evosure has demonstrated improved growth performance in an unheard-of seven out of seven trials, with several producers already adding Evosure to their starter diets.

Late in 2013, we began introducing two additional new products to the marketplace, which again solve important industry challenges – drinking water quality and meat quality. Based on our research and early customer response to these products, I'm confident that the use of these products will grow and our industry will improve as a result.

We have expanded our **Research Capabilities** significantly in collaboration with New Horizon Farms, Pipestone, Minnesota, and our research team headed by Drs. Chad Hagen and Ran Song. In 2014, we will have the ability to conduct research from breed to meat, with sow, nursery and finishing research facilities tied together in a production flow.

The **EUTHANEX**[®] **AgPro**[™], developed by our affiliate Value-Added Science and Technologies (VAST), has seen a significant increase in sales and market penetration as the industry continues to recognize that manually applied blunt force trauma, though humane when administered correctly, is not an optimum euthanasia method. I believe that the **AgPro** is the most researched and most

widely used system for euthanizing small pigs, and I am encouraged at the positive feedback we continue to receive, particularly its positive impact on the people who have the unpleasant but necessary task of administering humane euthanasia. **VAST** also collaborated with a leading manufacturer of biodegradable bags to introduce the **BioTuf**[®] liner for the **AgPro** during 2013.

Early in the year, **VAST** also launched an on-line market and price discovery reporting system for swine facilities, feeder pigs and weaner pigs, **ePigflow**[™] in an effort to serve producers who had reported to us that the existing industry mechanisms were fraught with a lack of transparency and inordinately high broker margins. I am hoping that producers commit more to using the www.epigflow.com site so that **VAST** can continue to provide this service.

In April, we announced an important collaboration partnership with **EURO-NUTEC**, a leading provider of nutritional technologies to the Mexican market. As we've worked with Dr. Alberto Casarin and his team this year, we continue to be impressed with the level of innovation and technology that **EURO-NUTEC** delivers, coupled with a culture of servitude that is complimentary to **NUTRIQUEST**. I am excited to watch this relationship grow and develop in the coming years.

As I reflect on 2013, I am always drawn to the challenges and opportunities that our industry faces, and mindful of the number one Guiding Principle for **NUTRIQUEST** of "Servitude - We are servants to livestock and poultry producers with a principle goal of improving their competitive position and prosperity."

We wish you a great year of prosperity in 2014, and thank you for your confidence in us.

Sincerely,



Steve Weiss, President

¹ NEWtraStart is a trademark of Purina Animal Nutrition.

² BIOSTRONG is a registered trademark of Delacon.

³ betaGRO is a registered trademark of GBH Laboratories.