

To DanAvl multiplier herds.

26th June 2015

New DanAvl strategy - status

Dear Sir/Madam

SEGES, Danish Pig Research Centre (VSP) is currently in the process of developing a new business strategy for DanAvl.

This is based on an overall strategic target to globally develop DanAvl in order to become one of the top 3 players in the world within the next few years. In order to reach this ambitious target, we are currently defining new structures, systems and processes.

We are first and foremost focusing on strongly connecting, and bringing into sharp focus, each link in the entire DanAvl value chain – from the genetic breeding program and the nucleus breeding herds over multiplication herds, to marketing, sales and support. The purpose of this exercise is to ensure the delivery of an even stronger product to our customers – not only related to superior genetics, but also with an increased focus on health, management support and advice as well as the quality of the animals.

A key issue in the new strategy is to leverage profitability and growth, for all involved in the Dan-Avl chain.

We are replacing the current agreements on multiplications, which are set to expire at the end of 2015 (cf. letter of May 8, 2015). The new agreement will focus on the new conditions we are looking to apply to DanAvls multiplication herds, paying particular attention to the health and the quality (robustness) of the animals.

The core in the new agreements will be to tie DanAvl multiplication herds stronger to DanAvl by means of an **agreement of license production**.

This means that you, in the future – as it is in practice today – will produce animals on behalf of, and for, DanAvl, and distribute through a DanAvl distribution set-up, when selling to third parties.

On the sales side, we equally intend to enter new agreements with our distributors in order to ensure an even stronger focus on effective sales and distribution. This will benefit our customers as well as ensure a higher profitability in the entire DanAvl chain.

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Consequently, the distribution system will also be adapted to the new strategy.

It is important that we all continue to maintain the strong cooperation between the DanAvl distributors and the multiplication herds in respect of support, service and sales. Please stay in close contact with your DanAvl distributor throughout this process. All contracts on deliveries must be respected as long as they are done in accordance with the rules applied to the DanAvl agreements.

Our aim is to do the changes with a minimum of business disruption. The new agreements are currently being developed, and we will get back to you in due time, so we can keep the business running.

We intend to replace the current agreements with new agreements, effective from January 1st 2016, during the latter half of 2015.

As mentioned, it is important that existing contracts should be kept and delivered upon accordingly. So do keep contact to your DanAvl distributor in order to ensure a smooth transition also in entering new contracts.

Please consider this a letter of notification, as we now begin the structural build-up of the foundations that must be in place prior to the implementation of the new set-up, which comes into effect in 2016. For this reason, the updated appendix Rules for Multiplication 2016 will be sent out at a later point.

We will keep you informed of news and developments as the process progresses.

In case you have questions, email me on kjo@seges.dk. Alternatively, please contact your DanAvl distributor.

Very best regards



Klaus Jørgensen

Market Director,
DanAvl