

# PIPESTONE System



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[www.PipestoneSystem.com](http://www.PipestoneSystem.com)

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## LET'S REVIEW

BY LUKE MINION

Markets and marketing. Effective cost controls and efficient disease prevention measures. Those were among our primary concerns in 2010.

As a system, and as individual shareholders, we survived last year's low prices and came away better equipped to deal with the next downturn.

To put Pipestone System shareholders on more solid footing, we worked to launch Big Stone Marketing, LLC. By developing this partnership and offering each of you the option to work with Brian Stevens, we believe we've tackled one of your biggest issues: marketing.

At the same time, we were reviewing cost-control potential at our sow barns. We intensified our emphasis on best-cost pricing for all sow-barn inputs, measuring our success using cash-based break-evens. As a result, our barns will run on an improved budget process in 2011.

Improving our budget process enabled us to set realistic, achievable goals for our network of sow farms while providing an accurate view of production costs for each individual site.

For example, we found that standardizing sow diets and using higher DDGS percentages delivered \$20-per-ton savings on gestation diets and \$40-per-ton savings on lactation diets when corn prices surged higher.

We looked at all expenses, no matter the size. For example, by pooling all barn sites, we captured a much improved long-distance telephone rate. Now we're paying 4¢ per minute instead of 20¢—or as much as 30¢ in some cases!



By shining a spotlight on everything we use in the process of creating pigs, we can work with the sow farms where usage exceeds the System average. When a barn consumes more water, more feed, more semen—whatever it might be—than the other barns, we alert barn managers. In discussion, we develop ways to create immediate savings and efficiencies.

A reliable budget geared toward reducing expenses offers the dual advantage of making expectations clear while holding each barn accountable for its own expenditures.

Also in 2010, to further protect your investment, we pushed to install air filters that will protect 40,000 sows from PRRS by the first quarter of 2011.

As we look back on a year that was both trying and enlightening, we thank you for the part you played: your commitment to livestock production, agriculture, and your participation in Pipestone System. ■

# SWINE LINE

# A VALUABLE ALLY: THE PIPESTONE VETERINARY CLINIC

BY SYLVIA WOLTERS, PIPESTONE VETERINARY CLINIC



Pipestone System is more than a sound management concept; it's a carefully executed process, from gestation to the packer's door. Here at Pipestone Veterinary Clinic (PVC), we fit into that process by providing products and services that foster healthy pigs. You probably already know that. But do you know we also offer the advantage of buying power? If you're not already

working with Pipestone Veterinary Clinic, you may want to tap into our strength.

Economies of scale is a familiar concept. You see it at work every time you buzz McDonald's drive-thru or shop at Best Buy. PVC wields a tremendous purchasing arm in the ag industry. Because we buy animal-health products in quantities sufficient for 140,000 sows and several million pigs, PVC is able to negotiate better prices. Our efforts make, not pennies but, dollars worth of difference in what stockholders earn.

Our veterinary staff controls and monitors product use, ensuring those products will be safely and effectively used. Shareholders who receive pigs from our sow barns reap reciprocal health benefits of healthy piglets that come from healthy sows.

I like to say shareholders capitalize on our "tribal knowledge." What our staff knows about the pig and its mom offers you an opportunity. The information we've already gathered works to your advantage when our veterinarians and technicians are the ones attending to health needs

on your farm. You'll be tapped into our shared PVC information pool throughout the pig's lifetime. We know things you'd never know about an open-market pig.

## COST BENEFITS AND ADDITIONAL SERVICES

As a supplier of products to Pipestone System, it's also our job to monitor product use. Controlling usage and supply is part of PVC's "tribal knowledge" that no other supplier can duplicate. Any shareholder who receives weaned pigs from a System barn can rest assured we have done everything in our power to control animal health costs. Our purchasing power enables us to control the amount invested in each pig.

We provide other services as well, offering our staff to perform steps that will make you and your employees more effective modern pork producers. PVC field supervisors can help you start your pigs. Technicians are available in advisory roles.

Beyond vaccinations and monitoring for PRRS transmission, you can ask our veterinarians and technicians to conduct training. We'll send someone to your site to teach procedures and instruct in the first signs of disease pressure. Request advice on improving barn ventilation or ask for our help posting pigs and diagnosing health challenges.

Other PVC services include bio-security audits, PQA Plus™ site assessments, and advice to help your pork operation in meeting the requirements of your packer contracts. Producers close to our Pipestone location can also use our truck wash. Obviously these services aren't free, yet it is a state-of-the-art facility maintaining high health protocols.

Our Information Bureau gathers data and keeps records of all piglets born and placed in grower-finishers. Those employees monitor mortality numbers and incorporate veterinarians' reports in order to provide precise background for growers, health techs, veterinarians, and packers.

Information Bureau numbers also exist to help you compute profit margins and health trends in your operation. The more you know, the more prepared you'll be for your next pig group. If you have questions or concerns with your reports, please contact the department head, Kari Hamann, at [khamann@pipevet.com](mailto:khamann@pipevet.com) or 507-825-7001.

To my way of thinking, there are an unlimited number of PVC services possible, because we're always ready to do more for Pipestone System barns and shareholders as needs arise. If you know of something else we can do, let us know. ■





# YOUNG PRODUCER IS ALL BUSINESS... AND ALL FAMILY

Talk pork production with Matt Hellickson and you'll become aware of two themes: longevity and business sense. Working side by side with his parents and grandparents, he's daily reminded of the family history woven into their Preston, MN farm. To that 60-year saga, he and wife, Abbey, are adding a new chapter grounded in a solid business education.

Pipestone System fits into the story well. Matt explains, "Because Pipestone System is a leader in the pork industry, we're able to maintain a strong family operation. We benefit from the System's emphasis on communication and medicine, which assists in our sustainability and long-term success."

His grandparents, Gerald (still running the combine in his early 80s, Matt reports) and Elaine (providing the fruits of her garden to the entire family) started farming in 1951, Matt says, and his parents, Gary and Joyce, officially joined the operation in 1972. "My grandparents were able to buy the home place in the early 60s and began slowly increasing our land base and raising more hogs," Matt continues.

"By the mid-1990s, our family was turning out 5,000 pigs per year in a farrow-to-finish operation. Then prices went down. My parents had built equity but didn't want to burn through it. So they started custom feeding, gradually converting barns to 1,000-head finishers. Custom feeding was the one thing that cash-flowed."

Between 1998 and 2003 the Hellicksons built more barns for custom feeding. During that time, Matt earned his bachelor's degree in business at Winona State University, met Abbey—another business major, who grew up in Wisconsin—and returned to the farm. Four 1,000-head finishing barns, one 2,000-head nursery, and a 3,000-head nursery made his return possible.

## AS A SYSTEM SHAREHOLDER, HE CAN MAKE HIS OWN DECISIONS

By 2005, the family realized custom feeding had its drawbacks. "We couldn't go all in and all out to streamline our workload and we couldn't control our schedule." They came to terms with the health drawbacks of different aged pigs on one site. Choosing when to receive pigs to fill their buildings was the initial appeal of becoming Pipestone System shareholders, Matt notes.

He also appreciates the way the System offers shareholders information they can use. Because he's young and fairly new to the business, he wanted to learn more about the industry. "I wanted to be challenged and make decisions about feed rations and health issues. And we all wanted to choose our own selling weights."

Working with Barb Becker, manager of Cougar Run sow farm near Truman, the Hellicksons arrange to go all in and all out in two-and-a-half weeks. They believe that's essential for disease control but it does make for hectic spells in their lives.

Matt's never seen Cougar Run. "For bio-security reasons they tell us not to visit, so we haven't even driven over there in five years." He's content to know the operation through its output: a consistent source of pigs all the same age at a consistent cost. That works because Matt offers more pigs for sale and reaps a better market price, tied to the volume he can deliver.

As a businessman, Matt also appreciates the death-loss sheets the System provides. "Everybody sends their numbers on Monday and the resulting report allows us to see health issues coming. We stay one step ahead."

Staying a step ahead is a business decision, one that makes it possible for Matt to write a new chapter in the family history. "We were just talking about this today. We bought into the System because we hoped for a good future for the hog industry and visualized a way for me to stay in. Of course prices frustrate me at times, in comparison to the costs, but I'm positive about the future of pork production and in it for the long haul." ■

*System shareholders since 2005, Matt and Abbey Hellickson are parents to Luke, 4, and Kyla, 2. They're part of a family operation that includes Matt's grandparents, parents, and his brother, Jeff.*



Photo courtesy of Brienne Arendt Photography

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## INSIDE

A Valuable Ally

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# Big Stone Marketing

## SHARPENING YOUR COMPETITIVE EDGE

Nearly a year into our new venture, Brian Stevens of Big Stone Marketing, LLC<sup>1</sup> can look back on a truckload of conversations with producers. Still, he wants to be sure he hasn't left any shareholder with unanswered questions about the services Big Stone offers.

For most of 2010, Brian criss-crossed the upper Midwest, meeting with shareholders. He's been spreading the word of three important Big Stone advantages: packer relationships, the importance of good risk management, and getting the right pigs to the right packer.

At meetings, Brian spent a lot of time helping shareholders get comfortable with the notion of someone new assuming those functions for them. The feedback tells him that producers see value in tapping Big Stone expertise. "We've heard good comments. Negotiating with buyers is a stressful part of their job, which producers are glad to relinquish. They're prepared to let me serve their interests in the marketplace," Brian explains.

His history in the packing industry gives Brian the background to understand buyers' major concerns during negotiations and to offer win/win solutions. Additionally, his talks with Pipestone System shareholders this fall and winter gave him a clearer view of ways he can help producers secure arrangements that will contribute to profitability.

Making the best arrangements for producers requires force of numbers. Already Big Stone approaches packers representing a pool of 1.9 million hogs!

Big Stone employees Melissa Runck and Christine Colemer

will be the producer's contact and are there to provide superior customer service to make marketing every load of hogs a great experience. Their training and skills enable them to address marketing and logistics issues for Big Stone clients.

The entire Big Stone Marketing team works to deliver on the offer Dr. Luke Minion made last year when announcing the joint venture. Big Stone, he said, will provide Pipestone System producers with services to help them remain competitive. ■



*Brian Stevens*

- Shareholders who designate Big Stone Marketing to negotiate packer contracts and to sell their un-contracted hogs will be charged a 75¢-per-pig fee.
- If you weren't able to speak with Brian at one of his meetings this fall, you can reach him at [bstevens@pipevet.com](mailto:bstevens@pipevet.com) or by calling 507-215-5032.
- Watch for more information on Big Stone verification services, coming soon.

<sup>1</sup> Big Stone Marketing, LLC is a partnership of the Pipestone System and Big Gain, Inc.