

Client Spotlight - Hylife

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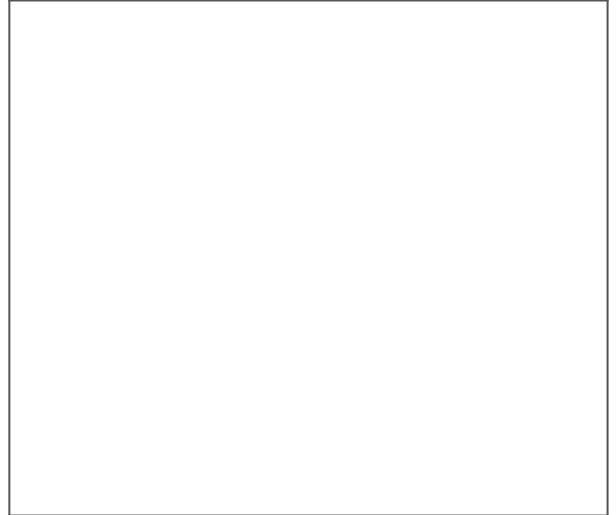
The Evolution From Farm to Fork

The agricultural revolution was a period of development between the 18th and the end of the 19th century which saw an immense and brisk improvement in agricultural productivity and vast enhancements in farm technology. Fast forward a few hundred years and we find ourselves in the midst of ever increasing changes and that includes in the world of agriculture and agri-food.

Although the current economic times have been a challenge for many industries, the pork sector has arguably faced some of the most significant challenges. High grain prices, a high Canadian dollar, low pork prices, and the U.S. mandated country-of-origin labelling are just a few examples of the obstacles the pork sector has had to overcome in the past few years. It is a big story when any company succeeds in this kind of a downturn. This is the story of HyLife Ltd. and the secret of their success.

In 1994 three Vielfaure Brothers (Paul, Denis and Claude) and Don Janzen teamed up to form a company with a common vision: to create the most efficient and integrated operating structure for the production of hogs. In 1997 and 1998 they brought in Grant Lazaruk and Henry Van De Velde as partners to form the executive group of the company. Paul Vielfaure later retired. Known then as Hytek Ltd., the La Broquerie, Manitoba company moved towards self-sufficiency and focused on a vertical integration strategy. The company built or purchased its own feed-mills, vet services division and genetics company (Fast Genetics Inc.).

Hytek performed well through the nineties and into the 21st century, but they took their business to the next level in 2008 with the purchase and substantial renovation of Springhill Farms based in Neepawa, Manitoba. Through an innovative partnership, Hytek partnered with the town of Neepawa and the provincial government on a wastewater treatment plant. The company initially focused on hiring locally, but finding an ample supply of workers proved to be a challenge, so they complimented their recruiting efforts by hiring foreign workers from



the Philippines, the Ukraine and South Korea. In 3 short years Springhill Farms almost doubled their workforce in Neepawa from 318 to 600 employees.

The Springhill Farms growth strategy moved Hytek from a production company to a food organization and in 2011 Hytek rebranded to HyLife. The name incorporates the “Hy” from Hytek for name recognition and stands for high quality. The “Life” was chosen since food is essential for life. The colours of HyLife’s logo represent the earth’s resources: the stalk of grain being a trusted food source ingredient and the circle of the logo representing the cycle of food production. The change signifies the company’s assurance of high quality and reliability, and the confidence they continue to earn internationally with pork products. Claude Vielfaure, Executive Vice President and Chief Operating Officer says, “We are underlining our seamless integrated business strategy because this commitment to food quality assures our customers around the globe that our products can be tracked at any stage in the production process, from genetics through to distribution of quality pork products around the world.”

HyLife is now an international organization exporting to the U.S., Russia, Mexico, Japan and China among other countries. “In the food business, having a story behind your product is important” says Vielfaure. “Being vertically integrated allows us to trace right back to the birth of the pigs. While some countries are only interested in a commodity product, traceability and health are important to many of our customers, and are very important for a market like Japan.” HyLife notes that they have had some challenges along the way. They note that exporting is logistically challenging with customs and there is a definite learning curve expanding internationally. HyLife uses different marketing efforts and strategies for each market and focuses on value-added health products, such as feeding flax to pigs to increase the omega 3 profile of the meat. Vielfaure says, “Value-added products help us to compete. For example, we offer different cuts and enhanced value-added products and have gone into the fresh chill business which keeps the meat just above the freezing point and allows for a longer shelf life of 60-70 days.”

According to Claude Vielfaure, there are a few keys to success in challenging times. First of all, it’s your employees. From the barn and processing plant employees and drivers, to the feed mill operators, to the managers and the senior management team. “Our employees are the key to our success” says Vielfaure. Next, you need to maximize your revenue. There are limited opportunities in a commodity business, but revenues can be enhanced through valued-added initiatives and the development of additional revenue streams such as Fast Genetics. Finally, managing your cost of production. “60% of our cost is grain” says Vielfaure. Corn is a major input for HyLife and the ethanol policy has driven up demand for corn, which drives up the price. Like any business, the costs are passed along to the consumers, but only to a point. Vielfaure adds, “Consumers need to be aware and understand why the cost of food may rise.” Although HyLife does look for alternative inputs to corn, everyone else is also looking at those same alternatives, so shortages result and the

prices of those feed ingredients go up as well.

We asked HyLife about some recent developments and what is on the horizon for their company. Today HyLife produces over 1.4 million pigs annually and employs over 1,150 people. The company has its own transportation fleet, truck washes and maintenance team ensuring all facilities meet HyLife's bio-security specifications. HyLife now has a Joint Venture in China with Tianzow Foods and they are building their 7th barn in China for their genetics company. Over the next few years HyLife wants to grow the Springhill Farms production capacity from 900,000 pigs to the maximum capacity of 1.4 million pigs. On April 4th Springhill Farms will be rebranded to HyLife Foods.

In 2011 HyLife received the Platinum Award from Canada's 50 Best Managed Companies*, being its highest designation, awarded to companies that maintain Best Managed status for a minimum of six consecutive years. TDS congratulates HyLife on their success. We are honoured to call them a client of our firm.

For more information on HyLife visit their website at www.hylife.com

*Established in 1993, Canada's 50 Best Managed Companies is the country's leading business awards program, recognizing excellence in Canadian-owned and -managed companies with revenues over \$10 million. The Best Managed designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.

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