

MilloGram



OUR MISSION: Providing Quality Feed for Quality Food.

A MESSAGE FROM OUR CEO

For most of us, 2020 was a particularly difficult year, and many of our customers and suppliers have commented that they were glad to have it in the rear-view mirror. Having said that, I believe in the first quarter of calendar year 2021 there are indications that we could experience new types of challenges, or ones that are still unfolding. In this newsletter, we will discuss some of those areas and the implications.

COVID PANDEMIC AND FOOD PRODUCTION IMPACTS

In recent months, we have seen parts of the United States open up, and there seems to be a continued relaxation of the lock down rules, particularly as a result of a growing realization that there was not much difference on health impacts between states that remained opened and those that locked down. Additionally, with the continued roll-out of the vaccines, there seems to be increasing consumer confidence to want to travel, dine-out, and participate in pre-COVID type activities. We are hopeful this positive trend will continue and help industries to re-open like the entertainment, sports, cruise, travel, and restaurant industries, all of which have impacts on food service, and, in turn, protein production.

However, there continues to be different approaches around the world and even within the United States as to what restraints and controls should exist for consumers. All of this makes it difficult to project what could happen from a policy perspective impacting the above industries. We remain cautiously optimistic that the vaccines will help to bring more normalcy towards the latter half of 2021 and that these industries are operating at higher levels of activity.

A NEW ADMINISTRATION

With the new Biden Administration in place, we will likely see policy changes occurring, and those could impact taxes, regulatory requirements, energy, and trade areas. Depending on how these areas unfold, they could have an impact on operating costs or even revenue opportunities. Some of the

areas to watch include the following:

Taxation: The Covid stimulus relief bills (and potentially more) will need to be funded, and there is a likelihood of higher taxes. This may be difficult to put in place yet in 2021 with a higher probability of being enacted for 2022. Depending on the breadth of these changes, operating costs of businesses could be increasing.

Regulatory Requirement: Based on commentary from the current Administration and past behaviors of similar Administrations, regulatory requirements are anticipated to increase. One big question is how much of the prior actions taken to reduce regulation will be rolled back and in what areas that will occur. The extent of the impact will depend on the area of change, so this will be something to monitor.

Energy: The big question surrounding energy is what actions the Administration takes around its climate change agenda, and the impacts that it could have ranging from those on the US energy industry and ethanol plants, which produce distillers, to what requirements could be established on farms around manure management and other areas. It is too early to predict yet how policy will evolve in this area and the timeline.

Trade Policy: As you are likely aware, trade policies determine the basis on which trade (imports and exports) occurs between countries. There continues to be dialogue on what those policies could look like with China, in particular, and how this unfolds could impact our industry in either positive or negative ways.

INGREDIENTS AND MARKET OUTLOOK

The headlines in this area in the first quarter include the significant increases in feed costs in the past five months, both in Pennsylvania and nationwide, due entirely to escalating commodity futures prices. The increase in market prices has been caused by massive Chinese import demand for soybean and corn, and the negative effect of the 2020 crop year dry growing conditions for PA's grain production. Nutrify has provided

the quick market summary below:

Market Summary: In the past months, the significant increase in feed pricing has been driven almost entirely by the future markets supporting higher costs in correlated protein and energy ingredients. The US feed industry did not expect to see these higher prices as we started last crop year as these higher prices were driven primarily by increased exports to China escalating from the winter time frame forward.

Corn: Since the end of October 2020, the corn futures market has rallied \$1.60 a bushel. Today, we see a major inversion in the corn market for the September '21 futures time frame, which tells our team that the US market is assigning premiums to the current price. This next year's harvest will tell us a lot about what prices we can expect to see in the coming years.

Soybean Meal: The futures price has increased \$75 a ton (at this time) since October 2020. There is little bearish information trading around soy and protein markets for the rest of the year. Again, the 2021 harvest outlook will be critical to understanding what prices we can expect in 2022 and beyond.

On top of the overall increase in conventional corn and soybean meal prices, the organic market was significantly disrupted. That disruption started to occur during late fall 2020 and continued into winter as certain organic ingredient suppliers, outside of our purchasing network, began defaulting on their delivery commitments for forward sold organic ingredients in record amounts as well as the major price increases attributed to the rise in ocean freight costs.

While there is pricing uncertainty in the organic markets, we are confident that our supply chain will be able to respond correctly relative to the market price adjustments we forecast are coming for the organic market over the next year.

DRIVING OPERATING EXCELLENCE

There are many areas of our operations we endeavor to continuously improve in serving customers, and we just want to highlight a few for you.

Feed Ordering: We have been piloting a project to put sensors onto bins that enable us to monitor feed inventory levels at customer locations. Phase One of that testing has been completed, and we are now planning to expand that to include a higher number of bins for a single customer, which represents the second step in the development of this new business process. The goal of this effort is to improve the efficiency of feed ordering, which impacts the production planning and work order scheduling at our mills.

We have also discussed in this newsletter our feed ordering guidelines, which facilitate planning and producing feed efficiently in our mills through timely receipt of feed orders. We recognize emergency orders are necessary from time to time, and we will always accommodate them. However, we would like these to become a lower percentage of the order flow since they make feed production scheduling very challenging. A copy of a form you can use for feed ordering can also be found on our website.

Manufacturing Equipment and Process Improvements: In our efforts to drive continuous improvement, the company installed special conditioning equipment at our Muncy feed mill. This equipment has demonstrated to improve the pellet quality and increase throughput capacity of our pellet mills. Finally, the company replaced an obsolete soy press machine at our Soy Processing plant, which increased soybean processing capacity.

In addition, we have enhanced our automation platform to improve process controls to management of sequential mixing and batching of feed. This control is designed to ensure feed is produced safely and accurately according to our customers' protein labels.

Biosecurity – A Relentless Focus: As we indicated in the last issue of the Millogram, we have a continuing risk management focus around biosecurity that pertains to our manufacturing and transportation operations. In this issue, we discuss one area we are very vigilant around which pertains to monitoring mycotoxins in ingredients that come into our operation to avoid feed contamination levels that could be harmful to animals. This is not something new, and we want to increase the understanding of both our customers and suppliers in this area with the information in this edition.

Stewardship – Giving Back: As an organization, we continue to emphasize and focus on giving back to the communities and industry where we operate. Accordingly, we are gratified to recognize Tony Bender in this edition, who has been nominated to serve on the PA Pork Board.

Closing Comment: In closing, we would like to thank you for your continued confidence to allow us to serve you and the confidence you have in us as a partner to meet the nutritional needs of your poultry, swine, cows, or other animals. As always, if you would like to ask me any questions or want to discuss our service to you, please do not hesitate to reach out to me at prohrbaugh@thewengergroup.com.

Feed Ordering Guidelines

For the best service, it is important that we have the following information to complete your order:

Your Name	House Number	Medications, Additives, and Amount/ Ton
Farm Name	Group or Flock Number	Any Special Instructions
48-Hour Delivery Lead-Time	Bin Numbers	
Delivery Date and Day	Tons in Each Bin	
Delivery Time Window	Feed Item: Name and Number	

FIRST DAY OF REQUESTED DELIVERY:	ORDER SHOULD BE PLACED:
Monday a.m.	Friday a.m.
Monday Anytime	Friday by 5 p.m.
Tuesday Anytime	Friday by 5 p.m.
Wednesday a.m.	Monday a.m.
Wednesday Anytime	Monday by 5 p.m.
Thursday a.m.	Tuesday a.m.
Thursday Anytime	Tuesday by 5 p.m.
Friday a.m.	Wednesday a.m.
Friday Anytime	Wednesday by 5 p.m.
Saturday a.m.	Thursday a.m.
Saturday Anytime	Thursday by 5 p.m.

CUSTOMER SERVICE HOURS

Monday-Friday
7 a.m. to 5 p.m.
Calls after hours are answered by Logistics.

FEED ORDERS

customerservice@thewengergroup.com
1-855-WENGERS (1-855-936-4377)

Reminder: 48 Notice for Feed Orders

Our procurement, manufacturing, and transportation teams require a 48-hour lead time to properly manufacture all orders and serve all our customers with the service they expect and deserve. Orders we receive with less than this lead time can significantly affect our costs and therefore your costs. Believe it or not, there are times when the predicted demand at one of our mills can change by 300% for a single day from the morning until midnight. This demand fluctuation within a few hours is very difficult to manage and injects a significant amount of

chaos and cost to the system.

We introduced Express Delivery Charges in March of 2020. Orders received by our Customer Service Team with less than a 48-hour lead time were subject to charges of \$250. We recently changed the terms of the program, so look for additional information in your mailbox, email, or from your Relationship Manager. Use the information on this page to help place your orders.

Mycotoxins FAQ

Dr. Raj Kasula, Vice President & Chief Nutrition Officer

WHAT ARE MYCOTOXINS?

Mycotoxins are toxic chemical substances produced by certain molds (fungi) found in soil. Not all molds that grow on agricultural products produce mycotoxins; the common mold species that produce, (e.g. grains) are species of *Aspergillus*, *Penicillium*, and *Fusarium*. Mycotoxins are byproducts of mold metabolism as they thrive and, therefore, are naturally found in agricultural products as they become infected by molds. Mycotoxins are prevalent all over the world and at any given point of time. Over 300 mycotoxins have been identified so far, but the most important ones of health and economic importance in livestock production are classified under aflatoxins, ochratoxins, fumonisins, zearalenones, and trichothecenes. Vomitoxin, which is also known as DON, is one of the trichothecenes. Agricultural crops may be infected by the molds before, during, and after harvest as long as they find favorable temperature, moisture, and nutrients. Mycotoxins, when consumed by animals or humans, can produce harmful effects that vary by species, amounts, and length of time consumed. Those effects as part of feed intake can produce resistance to diseases or health and performance impacts. Although the molds in grains can be treated, mycotoxins, once formed, cannot be removed unless they are degraded by enzymes. There are certain nutritional technologies in the market proven to manipulate these mycotoxins in animal feed and prevent them from being absorbed by animals.

Mycotoxins are, to some extent, metabolized in the liver and excreted in urine (and milk) and, in the process, functions of these organs may also be affected. Certain mycotoxins are carried in animal products and are of concern to human health. A few mycotoxins are proven to be carcinogenic (e.g. Aflatoxins). Given these impacts, regulatory authorities have laid down a set of guidelines as to acceptable levels of mycotoxins in grains and feed that must be complied with by producers in the agricultural and food sectors. These regulatory thresholds, which are not to be exceeded, provide the framework for testing for mycotoxins in grains. Please follow these links for more information.

National Grain and Feed Association: <https://bit.ly/30piGit>

Food and Drug Administration: <https://bit.ly/3v9A5JZ>

Agricultural Marketing Service, United States Department of

Agriculture: <https://bit.ly/3l3r1BY>

WHAT IS VOMITOXIN AND AFLATOXIN, AND HOW DOES IT IMPACT ANIMAL NUTRITION?

Vomitoxin, a trichothecene, (also known as DON or Deoxynivalenol) is a mycotoxin produced by certain *Fusarium* molds. Vomitoxin is relatively more toxic to simple stomach animals (pigs), where it causes feed refusal, vomiting, and poor performance. Aflatoxin is a group of mycotoxins produced by *Aspergillus* molds and are known to cause digestive system problems, lowered resistance to disease, reduced feed intake, and performance. Aflatoxins may also be carried in eggs, milk, and meat and can be harmful to humans when consumed. Aflatoxins are also known to be carcinogenic.

WHAT CAUSES THESE TOXINS AT THE FARM LEVEL AND CAN THEY BE AVOIDED?

Mycotoxins come from molds; soil is the primary source of mold to agricultural crops. Molds find an opportunity to infect crops when they find their growth requirements—moisture and temperature—as the crops are already great sources of nutrients. Typical controlled farming practices that include crop protection programs eliminate the growth favoring conditions for the molds. For example, excessive moisture favors most molds, and delayed harvest or drought favors *Fusarium* molds (Vomitoxin). The best way to avoid these at the farm level is to follow timely harvest and recommended crop protection programs. Agricultural products often get infected post-harvest if they are not stored properly. Moisture (humidity) and warm conditions promote mold growth. It is advisable to store agricultural products in cool, dry conditions and/or mechanical or sun-dry the material to moisture levels that molds find it difficult to grow, or to treat the grain with approved preservatives (mold inhibitors sprays, fumigants, etc.)

CAN THE LEVEL OF TOXINS CHANGE AFTER THE GRAINS ARE HARVESTED AND BEFORE THEY ARE DELIVERED TO FEED MILLS TO PRODUCE ANIMAL NUTRITION?

Yes. Once they find a place in the grain, molds continue to grow and continue to produce mycotoxins as long as they find favorable moisture and temperature that keep them alive. Molds are also known to produce excessive mycotoxins when they are stressed such as in drought conditions. When grains are dried or treated, molds may die, but the mycotoxins are not destroyed once formed.

WHY DO FEED MILLS TEST INCOMING GRAINS FOR MYCOTOXINS AND ARE THERE REGULATORY REQUIREMENTS TO BE COMPLIED WITHIN THIS AREA?

Federal regulatory agencies such as FDA/USDA have laid down levels for each mycotoxin based on the species fed as “advisory” and “action” levels. You may refer to the FDA website for more details. All feed and food manufacturers are mandated to comply with these regulations. Therefore, feed mills test incoming ingredients for mycotoxins, accept those within acceptable levels, and reject when the levels are found to exceed thresholds.

IS TESTING OF GRAIN RECEIPTS FROM FARMS SOMETHING NEW?

Testing of grain receipts has been a common practice at feed mills across the globe. At Wenger Feeds’ mill locations, all susceptible feed ingredients have been tested for mycotoxins upon receipt for compliance with regulatory requirements for decades. This has been a long-standing practice of the Company. All Wenger Feeds locations are equipped with state-of-the art equipment and a proven mycotoxin risk management program to test and accept only quality ingredients in its commitment to producing Quality Feed for Quality Food®.

WHAT WE DO TO PROTECT YOUR BUSINESS

To avoid mycotoxin contamination, each mill tests for mycotoxins prior to receiving. The sample is pulled from four different places on the truck and split twice to get a representative sample of the entire load. A 500-gram sample is ground and tested by the grain receiver in real time.

The testing procedure involves more than 10 steps and can be conducted in under 10 minutes. Samples are taken before the truck reaches receiving, so there is no delay in receiving trucks.

A history of average mycotoxin levels for suppliers are kept, and suppliers are hereafter tested based on their historical levels. Our grain receivers are empowered to refuse to accept loads that test high for mycotoxins.

Finally, the Company only buys from approved suppliers as part of our ISO 9001: Quality certification.

If you have additional questions, please see your Relationship Manager.

STEWARDSHIP: TONY BENDER NOMINATED TO PA PORK BOARD

Relationship Manager Tony Bender was elected to the 2021 Pennsylvania Pork Producers Board. Tony will serve as one of the four industry representatives along with Dr. Laura Carroll, Duff George, and Tom Pastor.

The Board executes specific programs in the areas of promotion, research, and education. Check-Off funded promotions are designed to increase domestic pork sales through consumer, retail, and food service outreach.

Check-Off funded research is administered in all areas of pork production, processing and human nutrition to develop a higher quality and more profitable product in the competitive meat protein market. Research funds are invested in animal welfare, environmental, and production studies that help pro-

ducers meet the challenges of responsible pork production.

Access to the latest technologies and information is often the key to the producer’s ability to be competitive. Check-Off funded seminars, workshops, videos, digital tools, and other instructional materials are available to all producers.

Food editors, chefs, journalists, and other food trend influencers in the U.S. receive pork industry information on a regular basis. Check-Off funds also make information about how pork fits into a healthy diet available to health professionals, registered dietitians, teachers, and others.

Stewardship is one of our core values, and we’re happy to support our team members who choose to serve the community and the industry.





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■ **GRAIN RECEIVING CAMERAS**

If you haul corn or soybeans to the Rheems, Mount Joy, Shippensburg, Spring Glen, Massey, or Muncy Mills, check our grain receiving cameras. Use the icon on the home page of wengerfeeds.com or click on "Grain Receiving" under the About tab.

■ **GO GREEN:** Receive your MilloGram by e-mail. Send your request to cc@wengerfeeds.com. Be sure to include your mailing address.



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