

**Update on
SweDanes merger
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A.I. Centre Dansire

Background:



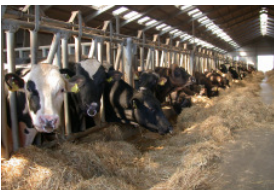
A.I. Centre Dansire is a cooperative owned by the Danish cattle breeders. The task of the cooperative is to breed cattle in Denmark. The work with cattle breeding includes purchase and testing of breeding bulls, production of semen and artificial insemination of cattle. Furthermore, the organization advises on cattle breeding – this is part of Danish Agricultural Advisory Service. The organization was founded in 2003 as a merger of six regional cattle breeding associations and the breed associations of Danish Red (RDM), Danish Jersey and Danish Red Holstein (DRH). Moreover, the organization distributes semen of beef cattle in close cooperation with the organization “Danish Beef Cattle”. The breed association for SDM - Danish Holstein is an independent organization, but work closely with the A.I. Centre Dansire.

Vision:

A.I. Centre Dansire’s vision is:

- We will increase profits and promote prosperity for Danish cattle breeders by supplying the world’s best breeding material at the lowest possible price, and a distinctive feature will be our high level of service.
- We will be world leading as regards breeding, veterinary standards and price. We will ensure this from a continuous local support and anchoring. We will be the absolute leader in the Danish market and be an important player in international cattle breeding.

Goals:



Service for the cattle breeders:

A.I. Centre Dansire will give service to Danish cattle breeders through a dynamic and efficient organization, owned and managed by Danish cattle breeders. The breeding work should include all breeds. Our level of registration and service must be among the absolutely best in an international perspective.

Advising and information:

A.I. Centre Dansire will use the best information technology to ensure a high level of knowledge with the cattle breeder as well as internally in our organization. Each individual cattle breeder should be offered a highly qualified, individual advising to support his breeding aspects.

Breeding:

In close cooperation with the established research and through detailed knowledge of foreign researchers and breeding associations, the A.I. Centre Dansire will ensure that Danish breeding work is maintained in which progress in development/genetics is ensured. This progress is based on clear breeding goals and consistent breeding plans, and the use of the most recent technological advances will ensure Danish cattle breeders a strong international competitiveness.

Semen production / delivery:

Through effective operation of bull studs with the most up-to-date laboratory facilities we will ensure Danish semen production in a high

veterinary level. By holding the sires at three studs, we will reduce the risk of spreading infectious diseases.

Employees:

A.I. Centre Dansire should be able to attract and secure qualified employees with thorough knowledge of and interest in theoretical and practical cattle breeding. The organization must make the necessary specialization of the work functions possible. Through project and development work the organization should give its employees an incentive to continuous development of competences.

Technology/research:

A.I. Centre Dansire will ensure the use of up-to-date technology in order to give Danish cattle breeders access to the possibilities offered by the results from Danish and international research and development. Dansire is the first cooperative owned AI centre in Europe that commercially produce sexed semen.

Use of resources / prices:

A.I. Centre Dansire will through control of operational and managerial functions ensure an optimal use of the physical, financial and personnel resources. In this way, A.I. Centre Dansire should ensure Danish cattle breeders quality services at (also in an international comparison) competitive prices. The tasks, which are considered practical, should be carried out by the regional and local offices.

Cooperation/synergy:

A.I. Centre Dansire will, via close contact with other organizations and institutions working with the control, registration and advisory functions of cattle breeding, ensure that delivery of services for Danish cattle breeders will be carried out from a general view with the earnings and prosperity of the cattle breeders in mind.

Organization:

The enterprise is owned by its members, and each person interested in cattle breeding and resident of Denmark can become a member. Using the organization's A.I. Technician or having purchased the organization's products within the latest 2 years automatically leads to membership of our organization. A minor subscription will be collected from associate members.

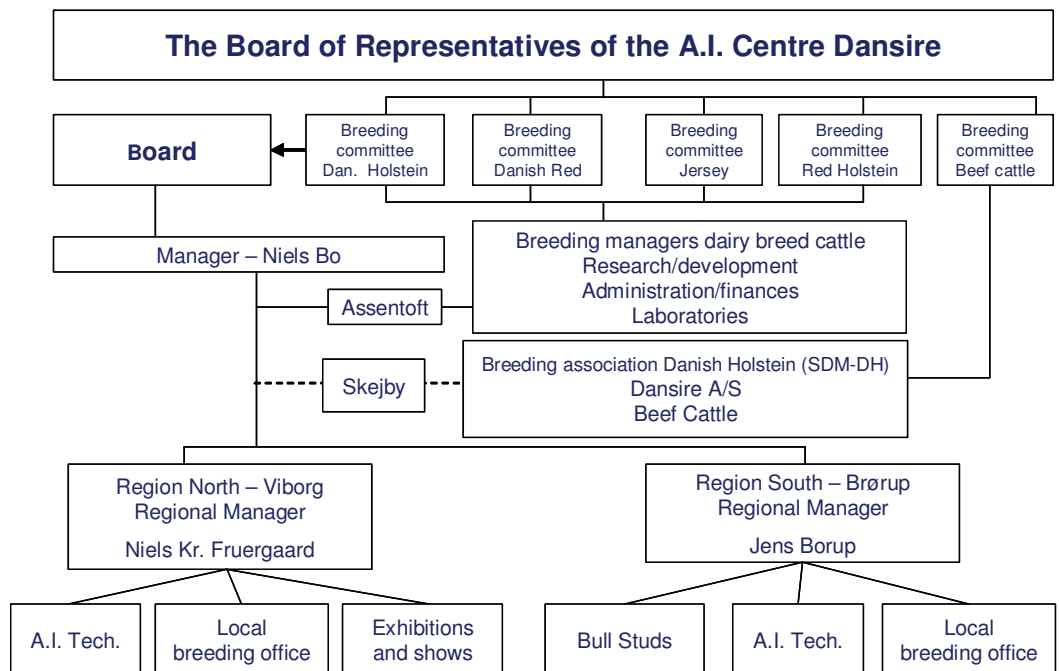
As per 1 January 2007, A.I. Centre Dansire had a total of 11,300 members. Almost 5,000 members have had more than 25 inseminations carried out by the organization's A.I. Technicians. Besides this approx. 850 members are registered as DIY's.



Professional work: The work with carrying out the cattle breeding is divided into two departments and in three bull studs.

The head quarter of A.I. Centre Dansire is located in Assentoft near Randers. In the office in Assentoft a large part of the administration is carried out, and all breeding managers are in the office in Assentoft, except for the breeding manager of beef cattle. A.I. Centre Dansire in Assentoft carry out the majority of the written information of the organization. Furthermore, coordination of the great number of tasks related to research and development, in which the organization is involved, are carried out in the office in Assentoft.

The insemination work is administered from two regional offices – Region North in Viborg and Region South in Brørup. The structure of the employed organization is as in the below figure:



Number of employees: Total	277
A.I. Technicians	188
Breeding managers	5
Breeding advisors	20
Administration	20
Bull studs	23
Laboratories	21

Information: The "Kvægavleren" ("The Cattle Breeder") is a journal for the members of the organization. The journal is issued 7 times a year with the publication of new Danish breed indexes. Printed in approx. 14,000 copies.

A weekly newsletter on practical issues is distributed to all employees and a monthly newsletter with general information is distributed to all elected representatives and employees.

A minimum of 6 board meetings annually and the breeding committees have 3-10 committee meetings annually.

Furthermore, a number of employee meetings are held regionally.

Inseminations:



Three A.I. Technicians work in two districts or four A.I. Technicians work in three districts.

Each district has approx. 5,000 first inseminations or approx. 3,300 per A.I. Technician. The A.I. Technician can be contacted daily from 7 a.m. to 8 a.m. and on his mobile phone from 8 a.m. to 10.30 a.m. The members pay for visits, first inseminations, any examinations and the semen. The A.I. Technician is employed under a piece-work contract, depending on the number of cows being inseminated or examined. Semen is being sent directly to the A.I. Technician's home address every two weeks. At the same time nitrogen and other equipment for insemination is delivered. All data is put into his portable data collector. The data is registered in a database for all cattle in Denmark.

The A.I. Technicians have an agricultural education, a so-called green certificate/module 3. An A.I. Technician will receive the following training courses:



- 9 weeks, general course at the Lundbæk Agricultural College in North Jutland
- 26 weeks, trainee period in a breeding organization
- 3 weeks, final course of authorization

In addition to inseminations, the education also covers pregnancy tests, i.e. the A.I. Technician, 35 to 42 days after the latest insemination, is able to tell if a cow or heifer is pregnant. The A.I. Technicians can also feel any abnormalities in the sexual organs of the cow and in such case refer to veterinary treatment. The A.I. Technicians are not allowed to use any hormones or other drugs.

Sexed semen:



Since April 2006 Dansire have been sexing semen using the XY[®] technology. The sexed semen has been randomly tested successfully and the pregnancy rates are satisfactory. Sexed semen is the largest step forward in semen processing technology since frozen semen was introduced. As from May 2007 we have a licence to commercially produce and market sexed semen in Scandinavia. We have invested in six sexing machines and our modern laboratory run two shifts five days a week. From August 2007 we will run three shifts. We expect the sexed semen to have a success rate of 90% heifer calves. We recommend the farmers to use sexed semen on heifers, where the pregnancy rate statistically is higher. Farmers can use sexed semen strategically when they need replacements or wish to enlarge their herd. Another strategy is to use beef semen on the poorest old cows in order to maximize the net profit. In June 2007 the first calves from Dansire sexed semen were born and they are in all ways perfectly normal.



The Practical breeding plan

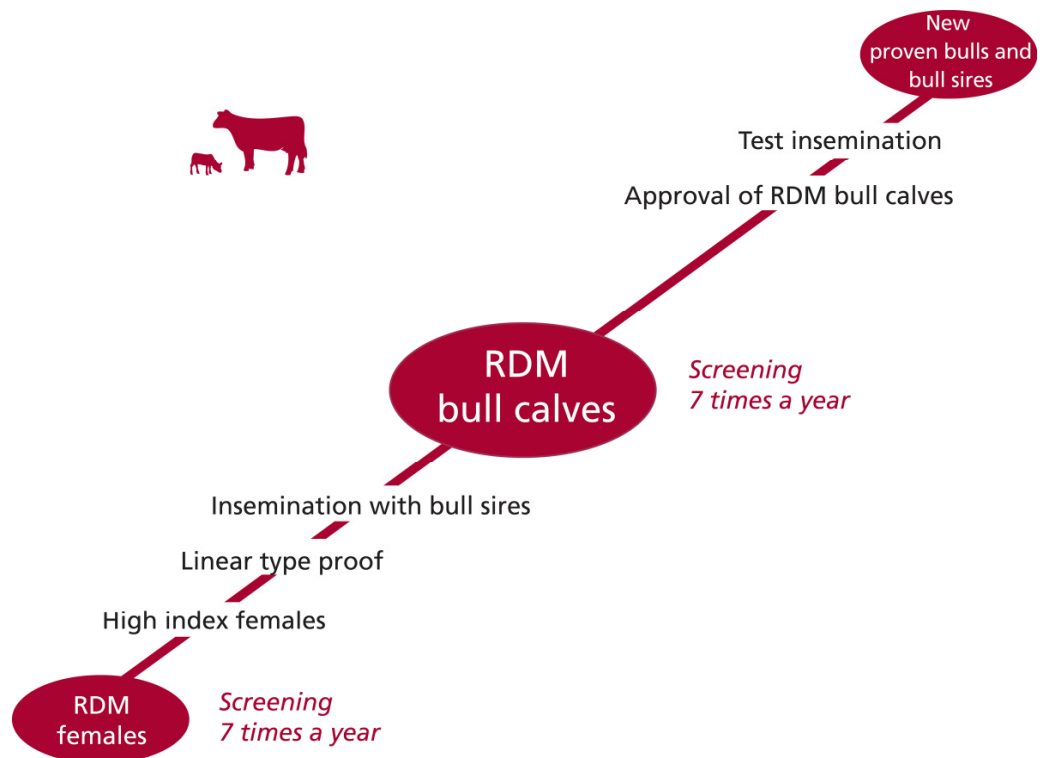
The breeding plan in A.I. Centre Dansire runs according to the following principles:

The best cows of the country based on a total merit index – the S-index – will be bull dams. The S-index contains merit indexes for a number of important traits as regards economic production.

The breeding forums are responsible for determining the breed policy of each individual breed. The Danish Cattle Federation is responsible for calculating the indexes. Nordic Breeding Value Organization (NAV) is responsible for registration and classification.

All potential cows and heifers will be screened each time new merit indexes have been made. Based on the National Cattle Database the animals will be sorted and suggestions on sires for the cows and heifers after the best sires of sons will be prepared.

The principle of the screening is illustrated in the below figure. The figure is for the Danish Red Breed but applies for all breeds. Furthermore, a number of cows and heifers from abroad are used. These bull dams are inseminated with semen from sires of sons, who are the absolute top sires.



Young sires are bought from the breeder and put into the bull studs and when they reach the age of approx. 1 year, the semen production will begin. We distribute 1,000 doses of semen from each young sire for the breeds Danish Red, Danish Jersey and Red Holstein and approx. 1,300 doses of semen from Danish Holstein. The doses will be used randomly with the members and result in 120-140 milk-producing daughters after each young sire. Approx. 4 years after the first semen has been handed out, we can evaluate and calculate the merit indexes.

Statistics:

Most used sires – total inseminations 01.10.05-30.09.06

Danish Red Dairy Breed	
R Bahama	12,891
R Ascona	11,884
R Back	9,520
Peterslund	8,457

Danish Holstein	
V Exces	118,501
V Gottorp	55,517
V Elo	46,646
V Groovy BL	37,364

Danish Jersey	
Q Zik	21,343
JAS Bungy	14,757
Q Impuls	12,284
DJ Belle	8,960

Red Holstein	
DRK Utzon	3,770
DRK Tundra	1,752

Number of 1st inseminations 01.12.05-30.11.06

Danish Red Dairy Breed	71,172	2.9
Danish Holstein	478,569	1.2
Jersey	84,075	0.6
Red Holstein	12,327	-6.6
Beef Cattle	24,213	5.2
Total	670,709	1.3

Number of tested young sires annually:

Dairy breed	Number
Danish Red	50
Danish Holstein	225-250
Danish Jersey	70
Red Holstein	10-12

Finances

The organisation's prices are among the lowest in Europe.

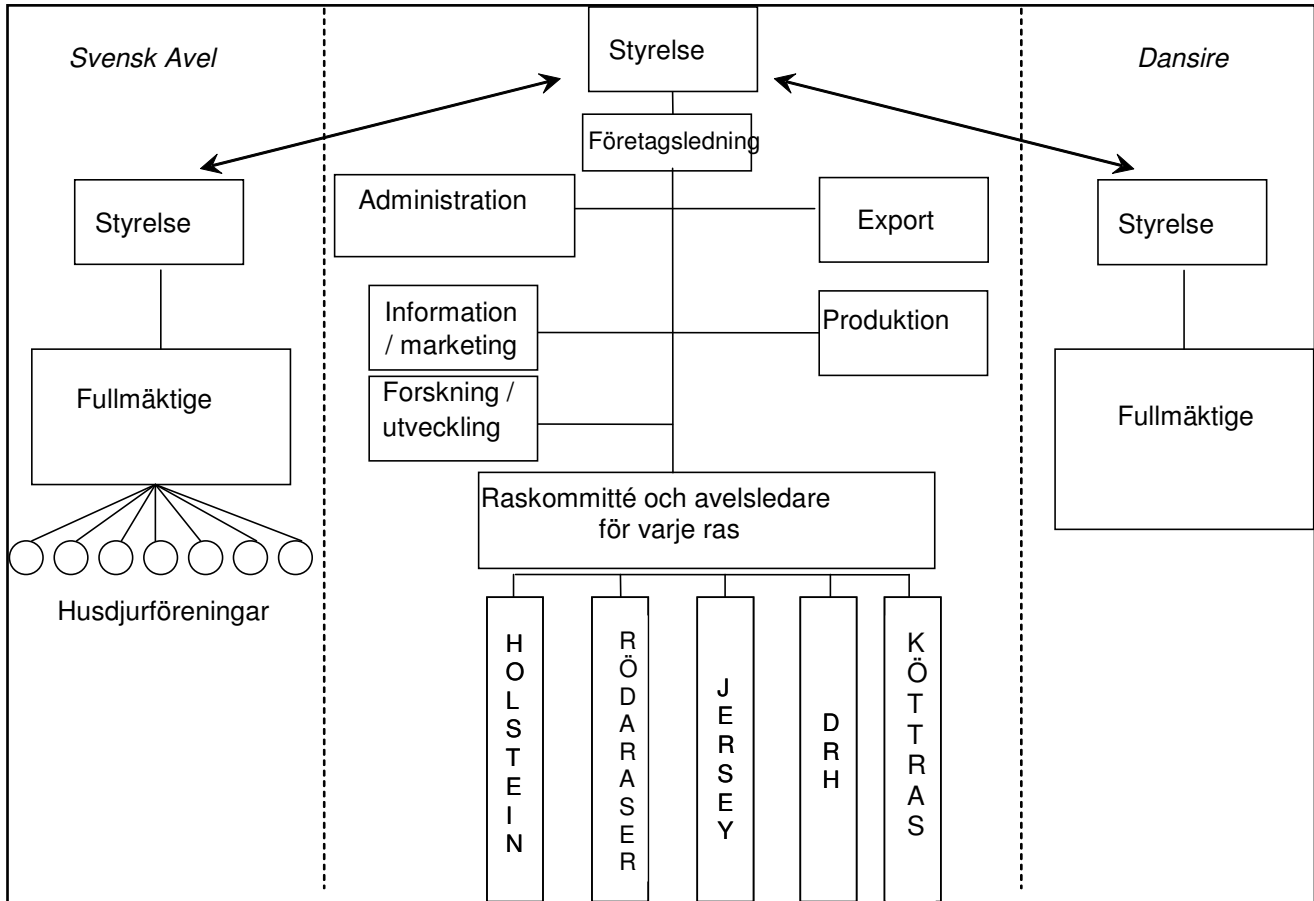
Visiting charge	DKK	37.00
Insemination	DKK	47.00
Young sire semen	DKK	20.00 *)
Proven sire	DKK	80.00 #)
Examination	DKK	14.00

*) The prices apply for the Danish Holstein, Danish Red and Jersey breeds. For Red Holstein the price is DKK 30 and for beef cattle DKK 80.00.

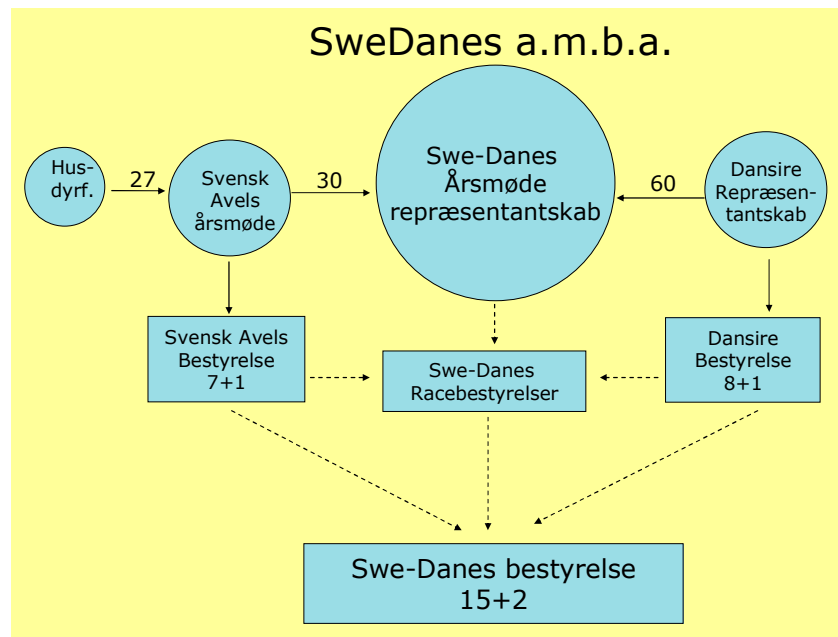
#) Jersey: DKK 75.00, and Danish Red DKK 85.00.

Merger

A merger between Swedish Breeding and Dansire was decided on the general assembly April 27th 2007. The organisations will merge January 1st 2008.



The Organization is shown in the figure above in Swedish. A new company, SweDanes will be founded, and there will remain one AI Company in Denmark (NyDansire) and one in Sweden. Totally the new AI Company will sell app. 3 million doses including export (export 1.2 million semen doses in 2008).



Organization

SweDanes elect 60 representatives in Denmark and 30 in SweDanes, and breed committees will be elected for each breed.

The compositions of breed committees are shown below.

Breed	members		
	S	DK	TOTAL
Holstein	3	6	9
SRB/RDM	5	4	9
Jersey	1	8	9
Red Holstein	0	3	3
Beef	2	3	5
Total	11	24	35

The board consist of 17 members; whereof 15 is farmers and two employees: 8 farmers from Denmark and 7 farmers from Sweden, and 1 employee from each country.

There will be an office and activities in both countries. The activities will be:

Denmark

- Main office – Assentoft, Randers.
- Manager/administration
- Economics/ Staff management - HR
- Production – Bull stations
- Breeding department Holstein
- Breeding department Jersey
- Breeding department DRH
- Breeding department Kødkvæg
- Marketing/ information
- R&D – administration

Sweden

- Department in Skara
- Vice manager – responsible for activities in Sweden. Export Manager
- Daughter company for export – office in Skara
- Breeding department red breeds
- Computer and data responsible
- Veterinarian Tasks – management
- Labour –semen processing - management
- R & D
- Nucleus Viken
- Horse breeding