



# Ruminant Nutrition: Ajinomoto Animal Nutrition N. America Inks Agreement with Papillon; Doubles AjiPro-L Production Capacity

06 May 2019 Source: Ajinomoto Animal Nutrition North America, Inc.

6 May 2019 - As part of its commitment to build a strong, compact specialty business, AANA has entered into a joint new product development and distribution agreement with Papillon Agricultural Company in US dairy nutrition.

“Through commercial collaboration with Papillon, we will greatly expand customer access to a jointly developed ruminant portfolio, including novel AjiPro®-L-containing specialty protein blends, newly developed rumen protected amino acid ingredients and other specialty products,” explains Masami Kashiwakura, President of AANA.

AANA started feed use L-Lysine production in Eddyville in 1986. Since then, AANA has been manufacturing and distributing L-Lysine, L-Threonine, and L-Tryptophan for poultry and swine nutrition. Expansion into the ruminant market began in 2011 with the launch of the highly respected rumen protected L-Lysine, AjiPro®-L for dairy cow nutrition. AjiPro®-L, with a metabolizable L-Lysine content of 25%, is a recognized additive in dairy farms throughout the US to optimize feed efficiency, realize feed cost savings and increase economic value with higher return on investment.

As part of this commitment, AANA will double its annual production capacity of its AjiPro® product line within 2019. “However, to accelerate AjiPro®-L sales and maximize the potential of other rumen protected amino acids under development, we had to find a sales and marketing partner in dairy with a strong customer focus and a commitment to improving dairy performance via amino acid balancing, which we found in Papillon,” notes Kashiwakura.

Papillon, a division of Inter-Rock Minerals, was founded in 1983 in Maryland. Papillon is a dairy nutrition focused, R&D driven company with a wide range of customized bypass protein blends and unique probiotic products. They have built strong customer relations by offering high quality, customizable protein solutions, while helping customers improve their bottom line by demonstrating the benefit of balancing for next-limiting amino acids. With their expanding presence in U.S. dairy nutrition, Papillon is uniquely positioned to improve precision feeding with Ajinomoto’s growing rumen protected technology portfolio, which will maximize feed efficiency and dairy production performance for our customers.

As part of its transition into specialty nutrition, AANA is restructuring its commodity business by downsizing its L-Lysine and L-Threonine production while tripling L-Tryptophan production. Ajinomoto has also initiated L-Histidine production via its flexible production operations. By simultaneously enhancing its specialty business and restructuring its commodity business, AANA is aggressively re-positioning itself as an integral player in animal nutrition in North America.



◆ Ajinomoto Animal Nutrition North America, Inc. Company Overview

- Company Name: Ajinomoto Animal Nutrition North America, Inc.
- Head Office : Chicago, Illinois, USA
- Established : October, 1984
- President : Masami Kashiwakura
- Shareholder : Ajinomoto Animal Nutrition Group, Inc. (100%)

◆ Papillon Agricultural Company Overview

- Company Name: Papillon Agricultural Company, Inc.
- Head Office : Easton MD, USA
- Established : 1983
- President : David Briggs
- Shareholder : Inter-Rock Minerals, Inc. (100%)

## Interview Questions

1. How is Ajinomoto adapting to the current environment for animal nutrition in North America?

AANA started feed use L-Lysine production in Eddyville in 1986 and have been a leading supplier of this product in the U.S. since then. However the market for Lysine, and also Threonine, has become commoditized, and so at our 30th Anniversary event in 2016, AANA committed over the next decade to becoming a leading player in the solutions-oriented specialty animal nutrition business in North America.

To accomplish this, we are restructuring our commodity business by downsizing L-Lysine and L-Threonine production in North America while continuously monitoring changes in supply and demand. As we decrease our L-Lysine and L-Threonine production, this gives us more room to build our business based on other profitable amino acids such as L-Histidine and L-Tryptophan. For example, we are tripling L-Tryptophan production capacity via our flexible L-Threonine manufacturing facility to take full advantage of demand for this product. We are also capturing more value from our production processes by expanding the use of our fermentation co-products.



Finally, we intend to leverage our advanced rumen protection technology utilized in AjiPro-L® rumen protected L-Lysine to expand our presence in ruminant nutrition. We are implementing a strategy to increase market penetration of AjiPro-L®, while broadening our product portfolio to other next limiting rumen protected amino acids. Two key components of this strategy are: doubling our rumen protected ingredient capacity by the end of this year, and developing partnerships with innovative companies in ruminant nutrition.

While planning for growth, we also constantly strive to streamline our production systems and management at our Iowa plant and at our head office in Chicago. We are planning to implement automation systems to reduce manual labor cost, together with an ongoing review of staffing requirements to encourage our transition to a specialty business.

Doing these things in parallel allows us to accelerate our innovation cycle, something we call “Strong & Compact for Specialty North America”.

2. How does AANA define specialty business?

A specialty product has unique, differentiated features in areas important to our customers, developed through one or more of our core competencies, and which cannot be easily copied by others. We then continue to improve these specialty products to maintain their specialty status. For example, AjiPro-L® is a 3<sup>rd</sup> generation specialty product, and we continually are looking for even better iterations of this product.

3. Why partnerships? Why did you reach out to Papillon Agricultural Company?

Based on our Strong & Compact for Specialty approach and considering the market education required to expand our line of rumen-protected amino acids in dairy, we decided our best approach would be to partner with a company already committed to both strong customer relationships and market education around amino acid balance/next limiting amino acids. This led us to Papillon.

Papillon is a dairy nutrition focused R&D driven company with custom bypass protein blends and unique probiotic products. They have built strong customer relationships utilizing their proprietary Papillon Dairy Initiative program and PREP10 amino acid balancing tool which focus on the benefits of balancing for next-limiting amino acids. We believe that our partnership will benefit the U.S. dairy customer by providing greater efficiencies in amino acid balancing at lower crude protein levels, thereby both improving profit and reducing nitrogen excretion into the environment. We call this combination of economic and societal benefits an Ajinomoto Shared Value or ASV. We think Papillon will help Ajinomoto demonstrate ASV in dairy nutrition.



4. Apart from your expansion into dairy, what are your other business areas of focus at AANA?

Historically poultry and swine nutrition business have been of great importance for us, and we will continue to build these businesses in North America in the future. In swine, we are focusing our energies on how to maximize our co-product AjiTein®, AjiTein-ProSpeC® sales while expanding the penetration of L-Tryptophan. As for poultry nutrition, our focus is on how to build customized new product solutions for specified poultry integrators utilizing amino acid blends that provide economic benefit to that customer. We are now working on this together with our global R&D organization in the Ajinomoto Group. Finally, we are also looking for ways to develop a presence in aquaculture.

Ruminant nutrition however will receive much more attention from us moving forward. Our ruminant focus will include not only dairy cattle but also beef nutrition. This is quite challenging but we have already conducted several trials in beef cattle in the U.S. to verify the most probable segments for rumen-protected AAs in beef diets.

5. Why would you need to become Strong & Compact? What will Strong & Compact bring to you?

AANA intends to build a sustainable animal nutrition business and generate ASV. By doing this we implement our company mission : *“Contributing to improving animal nutrition in North America by creating original new values through advanced technology and nutrition expertise, to provide all stakeholders with healthy living and well-being in the food value chain”*.