VALUES

Walden Asset Management ❁ Advancing sustainable business practices since 1975

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In This Issue

Walden Asset Management

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ESG Integration: A Broader View

A report commissioned by the U.N.-backed Principles for Responsible Investment (PRI) and the U.N. Environmental Programme Finance Initiative found that global environmental damage caused by human activity totalled $6.6 trillion, equivalent to 11 percent of global GDP in 2008. The world's top 3,000 public companies were reportedly responsible for one-third of that damage, and might face increased operating costs through higher insurance premiums, taxes, input prices, and clean-up costs.

While corporations are addressing sustainability, according to an *MITSloan Management Review* special report, they appear to be focused on regulatory requirements and environmental aspects and have not developed a clear business case. A survey by management consulting firm McKinsey & Company supports this point. McKinsey notes that most executives consider management of environmental, social and governance (ESG) matters "very" or "extremely" important in a wide range of areas and important to brand reputation and creation of long-term shareholder value, yet most do not proactively manage these issues.

At the same time shareholders are increasingly asking companies for ESG information. While the corporate impacts of ESG matters are often presented in the framework of financial risks, companies should consider the spectrum of financial outcomes that are associated with their ESG performance. This *spectrum* ranges in the five following areas from outcomes that are generally detrimental to those that are substantively beneficial:

License to Operate

Any corporation's success depends on a broad range of stakeholders. The corporate "license to operate" may be effectively revoked by a consumer boycott, labor strike, community action, regulatory intervention, legal injunction or some other stakeholder intervention. The stock of blood-testing products maker Immucor slid 14 percent on June 26, 2009, when the U.S. Food and Drug Administration issued a notice of intent to revoke its license for two blood tests. Asarco, Owens Corning and W.R. Grace and dozens of other firms facing asbestos-related claims have gone bankrupt. After Operation PUSH launched a boycott of Nike, in order to promote employment opportunities for African Americans, a Gallup survey found that "31 percent of the public were aware of the boycott, [and] 20 percent were planning to buy fewer Nike products."

Risk Reduction

Corporate ESG practices may prompt a variety of risks requiring mitigation. These risks include legal, regulatory, liquidity, credit, reputational or others that could be discontinuous and materially costly to the firm. In June 2010, BP established a $20 billion trust fund to assure reparations for the infamous Macondo oil well spill in the Gulf of Mexico. Two months

continued on page 6

About Walden Asset Management

Walden Asset Management is the socially responsive investment division of Boston Trust & Investment Management Company. Walden began offering socially responsive investment services in 1975. We are among the largest and most experienced investment managers specializing in services for individual and institutional investors with social concerns.

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Of Deficits and Debt

While the current U.S. budget deficit and level of total debt have reached record highs, the alarm sounded by some pundits is misplaced.

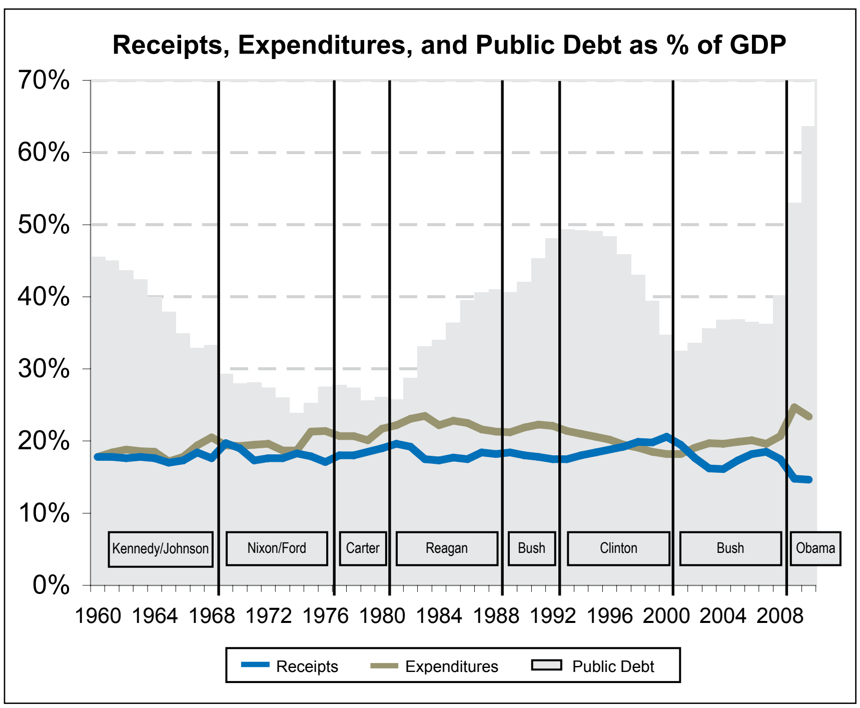
A deficit results when government spending exceeds tax receipts. It is useful to think of this in two ways: A structural deficit results from an annual shortfall of tax receipts relative to government spending in normal times. In contrast, a cyclical deficit is produced when an economic downturn leads to both higher government spending (e.g., unemployment insurance) and lower tax revenues caused by depressed incomes and profits.

Whenever government spending exceeds tax receipts the government must issue bonds to cover the shortfall, creating government debt. Since cyclical deficits should be offset over time by cyclical surpluses, the growth of government debt over time is the result of ongoing structural deficits.

It is important when comparing trends in deficits and debts to express them as a percent of gross domestic product (GDP). This puts them in context, accounting for economic growth and inflation, and gives an accurate representation of their relative importance to the economy at a point in time. When there is economic growth, the same dollar amount of debt becomes a smaller percent of GDP.

The Republican party historically–and the Tea Party movement more recently–has advocated for lower taxes, lower government spending, and balanced budgets. Democrats are popularly associated with higher taxes, higher government spending, and a willingness to tolerate deficits. While these are convenient constructs, they do not match the historical record.

The chart below shows U.S. government receipts and expenditure as a percentage of GDP over the past 50 years, segmented by presidential administrations. As can be seen, the deficits (the space between the lines) have been considerably larger during Republican administrations. The largest deficits occurred when the receipts line has declined, particularly during the Reagan/Bush and Bush II administrations. While trends in receipts and expenditures always have multiple causes, until the recent crisis the periods of rising deficits are clearly associated with large tax cuts (primarily for high-income taxpayers), enacted without corresponding restraint in spending.



The federal debt declined from 46 percent of GDP in 1960 to 26 percent in 1980. With the Reagan tax cuts, debt increased to 48 percent by 1992. In the Clinton administration

continued on page 7

CDP WATER DISCLOSURE

partnerships at work

This column highlights selected groups and organizations working to promote social and economic justice, environmental leadership, or corporate accountability. Walden often supports the work of featured groups and partners in research and advocacy initiatives.

"Is water the new carbon?" I am often asked. The implication is that the established peril of climate change will someday shift its weight on the sustainability agenda to make room for a new and unexplored challenge to human livelihoods: water.

But water is not really new. It is an everyday issue. Right now, growing populations, increasing affluence, and climate change are conspiring to place pressure on water resources and the settlements which they support, says the World Business Council for Sustainable Development.

Business is no exception. In China an acid spill in the Ting River led to suspension of shares in the Zijin Mining Group on the Hong Kong stock exchange in October. In Germany this year, droughts and floods have led to a 12 percent drop in wheat production and a loss of quality. In the next two decades, the 2030 Water Resources Group forecasts[1] that local water supply will only meet 75 percent of demand in China and only 50 percent of demand in India. This will place water-intensive companies such as Intel Corp.'s China unit and Coca-Cola Co.'s bottling plants in direct competition with the already struggling 1.6 billion people who rely on farming to survive in these regions.

No wonder that in a study of the world's largest companies carried out by CDP Water Disclosure, half of the respondents reported current or future physical risks to their business and 39 percent of the responding companies disclosed that they had already experienced recent detrimental impacts as a result of water issues.

Since its launch in 2000, the Carbon Disclosure Project (CDP) has become the only independent global system through which thousands of companies report on greenhouse gas emissions and climate change. CDP is founded on the belief that awareness and action on climate change is only possible with good quality data, the trusty "You manage what you measure" axiom. Recognizing the lack of quality investor information on water, CDP approached 302 companies from the Global 500 for the first time this year with a questionnaire on water, which was backed by investors representing US$16 trillion in assets.

Now the results are in. Of the 122 companies that responded publicly, more than two thirds reported responsibility for water at the board or executive committee level, indicating recognition of water's strategic significance. And this significance is not because of risk alone, but also opportunity. Over 60 percent of respondents recognized financial opportunities in water.

The worrisome "newness" of water is evident in the 92 percent of oil and gas industry respondents who have not set any water-related performance targets, and in the 68 percent of the retail and consumer industry respondents who do not know how much of their stockroom is sourced from water-stressed regions.

At the launch of CDP Water Disclosure's first global report in November, the panel of speakers was asked to rate the maturity of water as an investment issue. The verdict was that water still has a long way to go. How can we close this gap between the significance of water for businesses and for investors?

Part of the answer must be that those in the mainstream investment community, like the vanguard 137 investors who were signatories to CDP Water Disclosure in 2010, need to make this everyday issue *their* issue and place water at the heart of decision-making. This will only be possible when the deficit of good quality data on water that is required for investment decision-making is plugged.

—*M. Norton*

CDP Water Disclosure is a not-for-profit organization aiming to raise business awareness and understanding of water-related issues. The first report detailing how the world's largest companies are affected by growing water scarcity is available online at www.cdproject.net.

Marcus Norton heads up CDP Water Disclosure, a program of the Carbon Disclosure Project.

[1] 2030 Water Resources Group (2009). *Charting Our Water Future: Economic Frameworks to Inform Decision-Making.*

RESEARCH & ADVOCACY IN ACTION

Marcela Pinilla is an ESG Research Analyst.

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If the impact of the U.S. Supreme Court's *Citizens United* decision on corporate political spending was unclear, we now have the November 2010 election as Exhibit One. According to the Center for Responsive Politics, nearly half of $293 million spent by outside groups (non-party organizations), such as the ubiquitous U.S. Chamber of Commerce, came from undisclosed donors, and most of the money funded campaigns supporting or opposing individual candidates. Such direct financial input in political contests is new.

Corporate political spending transparency is a top engagement priority for Walden because the country needs a functional representative democracy to tackle looming crises such as climate change or wealth and income inequality. For the 2011 shareholder resolution season, we are a lead filer of resolutions addressing political spending policies and disclosure at **3M, Accenture, IBM, PepsiCo, Pfizer, Target,** and **UPS**.

Other corporate governance concerns remain central at Walden. The newly enacted Dodd-Frank financial reform legislation provides one-to-three year options on the frequency of shareholder advisory votes on executive compensation (Say on Pay), but Walden led a letter campaign signed by a diverse group of institutional investors to encourage an annual Say on Pay vote. Many companies responded thoughtfully, including **Apache** which committed to annual implementation. At **Hewlett-Packard** and **State Street,** we are the lead filer of resolutions calling for the separation of CEO and Chair positions to foster independent oversight of management.

Environmental Impact

Walden regularly seeks improvements in environmental, social, and governance (ESG) reporting, including disclosure on efforts to reduce greenhouse gas emissions and assess water risk. We are providing input to **Aptar Group** as it upgrades the *Sustainability* section on its website and experiments with best practice Global Reporting Initiative (GRI) reporting in Latin America. First time ESG reporting resolutions were filed at **Emerson Electric** and **Varian Medical Systems;** the latter was withdrawn recently when the company committed to a GRI-based report. Several representatives of Emerson Electric visited Walden to discuss its achievements, including products that boost energy efficiency and components for alternative energy development, but the company did not agree to comprehensive ESG reporting. Hence, despite the constructive meeting, we anticipate that the Emerson Electric resolution will go to a vote.

Walden also continues to participate as an investor signatory to Carbon Disclosure Project's (CDP) annual questionnaires addressing greenhouse gas management and disclosure of water risk. Representing more than 500 institutional investors holding $64 trillion in assets, the new round of letters to the world's largest companies on climate risk disclosure is planned for February 2011 (see *Partnerships at Work*, page 3).

Workplace Practices

With the vast majority of large companies embracing inclusive equal employment opportunity policies, Walden's longstanding engagement on LGBT rights has shifted to smaller firms. **Parkway Properties** added sexual orientation to its nondiscrimination policy after we demonstrated that it was an outlier in its industry. A resolution for 2011 asking **eHealth** to adopt an inclusive nondiscrimination policy was withdrawn when the company amended its policy accordingly.

Smaller companies are also fertile ground for engagement on workforce diversity. We are one of three U.S. participants in an initiative through Principles for Responsible Investment (PRI), an organization that represents global investors with over $20 trillion in assets, calling for increased representation of women on boards and in senior management. Dialogues are underway at three portfolio companies with subpar records: **CommVault, Dime Community Bancshares,** and **Dupont Fabros Technology.**

Community Impact

The devastation caused by U.S. mortgage foreclosures is hard to grasp. In hardest hit Nevada, one in every 79 properties received foreclosure notices in October alone (RealtyTrac). Failure to stabilize the housing market remains a critical business concern with enormous human costs. Unfortunately, progress on loan modifications industry-wide has been disappointing. Walden co-filed a resolution asking **J.P. Morgan** to develop policies to ensure that the same loan modification methods for similar loan types are applied uniformly to loans owned by the company and those serviced for others (the latter representing the vast majority of the bank's mortgages).

Engagement on community impact goes beyond U.S. shores. Walden hosted **Medtronic** and a group of investors in September to discuss sourcing of minerals, such as tin, from violence-torn areas in the Democratic Republic of Congo (DRC). New Securities and Exchange (SEC) disclosure rules require assurance that "conflict minerals" from DRC do not make their way into company supply chains, an unexpected component of the Dodd-Frank legislation. Medtronic has formed a Supply Chain Council with a special task force to assess conflict minerals risk in specific products.

Public Policy Initiatives

On an array of topics, Walden continues to press for effective public policy. In the past six months we:

- Submitted comments to the U.S. Banking Committee on financial reform legislation encouraging greater industry regulation and oversight, credit rating agency reform, stronger consumer protections, and mandatory Say on Pay votes and ESG disclosure.
- Signed the Investor Environmental Health Network letter to congressional leaders supporting strong public health protections through the Safe Chemicals Act of 2010 and Toxics Chemicals Safety Act.
- Urged the U.S. State Department to endorse the United Nations Declaration of the Rights of Indigenous Peoples.
- Opposed California's Proposition 23 ballot initiative, subsequently defeated, that would have stopped implementation of the state's landmark clean energy law.
- Joined the Investor Network on Climate Risk and other global investor coalitions calling for innovative public policy encouraging renewable energy, energy efficiency, low-carbon infrastructure, and an international agreement on climate change mitigation.

—M. Pinilla and H. Soumerai

A Failure in Governance!

Many leading companies strive to follow best practices in corporate governance, demonstrating responsiveness to investors and protecting shareowner value in the process. And yet, many of these same companies perpetuate a dismal failure of governance.

How so? These responsive and responsible companies often appear to leave their commitment to good corporate governance at the doorstep when they serve on the board of the U.S. Chamber of Commerce (the Chamber). Many of these companies demonstrate strong environmental and social policies and urge their suppliers to follow suit. Paradoxically they are silent at Chamber board meetings in response to the association's aggressive actions to undermine sustainable business practices.

The Chamber has always been a powerful force in Washington, lobbying and influencing elections. In the last two years, led by CEO Tom Donohue, it has obstructed progress on a wide range of issues including health care, climate change, and financial market reforms. The Chamber announced it would spend $75 million in political campaigns in 2010 with one of its stated goals being to unseat all congressional members who voted for health care reform. The funds for this partisan political fight were raised and spent in secret, with no public accounting or transparency.

Similarly, the Chamber–allegedly on behalf of the business community –lobbies, speaks publicly, and puts political dollars to work, effectively challenging many enlightened company positions on environmental matters. Recently the Chamber sued the Environmental Protection Agency to block its ability to mitigate climate change through regulation.

The Chamber's website states:

Directors determine the U.S. Chamber's policy positions on business issues and advise the U.S. Chamber on appropriate strategies to pursue. Through their participation in meetings and activities held across the nation, Directors help implement and promote U.S. Chamber policies and objectives.

Hence Walden, with other investors, has discussed with dozens of companies how membership on the Chamber board may be perceived as supporting the Chamber's policies. Sadly we are learning that Chamber board members rarely speak out publicly, or even privately at Board meetings, to challenge its anti-environmental positions. Nor do they confront the Chamber on its partisan political activities.

There are multiple clear contradictions between the environmental policies of Accenture, IBM, Pepsi, Pfizer, and UPS, all board members, and the Chamber's fierce opposition to climate change legislation and regulation. Yet as Board members they set and oversee the very policies and campaigns that undercut their own companies' positions – a perplexing way to spend shareowner dollars.

It is time for Chamber board members to end this pattern of passive acceptance. It is not acceptable to allow anti-environmental policies to flourish and partisan political campaigns shrouded in secrecy to be the order of the day. A respect for good governance requires companies sitting on the Chamber board to stand up and be counted or head for the exit.

—T. Smith

ESG Integration: A Broader View

continued from page 1

later, BP agreed with the U.S. Occupational Safety and Health Administration (OSHA) to pay a $50 million penalty for failing to abate safety concerns identified by OSHA following the Texas City refinery explosion of 2005, and to spend at least $500 million on safety upgrades.

The costs of discrimination, as another example, also appear to be rising. According to The Bureau of National Affairs (BNA), the U.S. Equal Employment Opportunity Commission (EEOC) has more than 100 class action lawsuits under way. BNA highlighted the potential costs to companies of class action lawsuits by the EEOC; these costs include time, legal expense and monetary exposure to damages. Nor is the courtroom necessarily a friendly forum for corporations facing discrimination charges. The U.S. Court of Appeals for the Ninth Circuit certified a class of 1.5 million plaintiffs in a class-action lawsuit against Wal-Mart, implying potential exposure to liabilities measured in billions of dollars, while Novartis Pharmaceuticals settled a $175 million discrimination verdict in federal district court.

ESG risks can also express themselves as increased financing costs. A recent study by the European Centre for Corporate Engagement found that the credit spreads (yields relative to U.S. Treasuries of comparable maturities) of borrowing firms is influenced by legal, reputation and regulatory risks associated with environmental incidents.

Operational Efficiencies

Companies can reduce operating costs by leveraging capital and human assets. The MIT report cited above indicated that aggressive action on sustainability yields more opportunities and reaps material benefits. For example, efficiencies in the use of natural resources can often result in significant cost savings. Hewlett-Packard reports that by consolidating more than 85 internal IT data centers into 6 new data centers, the firm reduced its IT budget in half, reducing electricity use by 60 percent per year, and saving $1 billion per year.

Costco offers a comparable example in employer relations. By offering above market wages and benefits, the retailer experiences a lower turnover rate than peers, such as Wal-Mart. This is important because lower turnover results in lower training costs. One report estimates that turnover costs one and a half times an employee's salary (The Saratoga Institute).

Compensation and benefits are one element of employer relations. A study in the *Academy of Management Journal* found that "organizations with a greater range of work-family policies have higher levels of organizational performance, market performance, and profit-sales growth." And, University of Pennsylvania Wharton School assistant professor Alex Edmans found that, in general, "[e]mployee satisfaction is positively related to corporate performance."

Integrated energy firm Royal Dutch Shell offers a counterexample in efficient governance. Until July 2005, the firm had operated under two separate boards of directors–an alleged contributing factor to its previous overstatement of its petroleum reserves.

Competitive Brand Positioning and Reputation

Sustainable corporate policies or practices can serve to enhance a firm's overall brand and improve competitiveness. According to Accenture, "in 2008, 91 percent of consumers said they had bought a product or service from a company they trusted, whereas 77 percent had refused to buy a product or service from a distrusted company." Consider, for example, the enhanced reputation of outdoor apparel and footwear maker Timberland due to its association with City Year. Moreover, reputation matters to more than just customers. As concluded by the Great Place to Work Institute, organizations with reputations as good employers tend to attract high quality staff, directly correlating to productivity.

Revenue Generation

A company's success depends ultimately on growth. In recognizing the ability of a particular product or service to provide a more sustainable outcome relative to peers, companies can boost financial prospects directly through new market opportunities. Steve Reinemund, predecessor to Indra Nooyi as CEO of PepsiCo, argued, not only that diversity promoted better decision making, but also credited one percentage point of its 8 percent growth in 2004 to the (increasing) diversity of its employees. PepsiCo cited guacamole-flavored *Doritos, Gatorade Xtremo, Mountain Dew Red*, and a wasabi-flavored snack.


Ken Scott is a Portfolio Manager and Securties Analyst.

Products and services that maximize the efficient use of resources may provide their customers substantial cost savings and boost their own top lines. Examples of companies that enable resource conservation include Baldor Electric, which makes energy efficient industrial electric motors; Commercial Metals, which engages in scrap steel recycling; and Watts Water Technologies, which makes water safety and water flow control products such as backflow preventers, water pressure regulators, and filtration systems, all of which enhance water conservation.

Thinking Long-Term

Given the associated spectrum of financial outcomes, corporate executives and investors who measure, manage and disclose their policies and performance on ESG factors may have the greatest insight on this key dimension of overall company performance. Companies have an opportunity to improve their financial performance by maintaining their licenses to operate, mitigating risks, realizing efficiencies, positioning themselves competitively, and identifying additional sources of revenues. For executives and investors an appreciation of material ESG factors over a long-term horizon is integral to a sustainable business model.

—*K. Scott*

Charitable Giving and Roth IRA Conversions

Many people have taken advantage of the removal of the $100,000 income limit on Roth IRA conversions that began in 2010. Others have not, however, due to the significant tax consequences. Because funds converted are considered ordinary income, conversions typically increase your tax liability and can raise your marginal tax rate. A popular strategy that will be of interest to many Walden clients is the use of charitable giving to offset the conversion costs.

The tax savings from a charitable deduction will result in a dollar-for-dollar offset of your taxable income (subject to deduction limits based on your adjusted gross income). A technique that allows for a larger deduction is the use of Donor Advised Funds (DAFs). Accelerating future planned charitable contributions into a DAF in the same year of a Roth IRA conversion can greatly reduce the conversion costs. It allows you to direct payments from the fund to charities over time while realizing the deduction in the year of your donation to the fund.

Stephen Benevento is a Senior Administrative Officer.

Of course these strategies are never straightforward and it is important to review your particular situation with your tax advisor. For example, contributions to DAFs are irrevocable while conversions can be "undone" if you choose to recharacterize any of the converted funds. There is also the one-time opportunity to spread out the tax due on a 2010 conversion over 2011 and 2012.

If you have considered a conversion but ultimately decided against it, and you are already charitably inclined, consider the use of charitable gifting, especially DAFs, to reduce the conversion costs. While time is about to run out to convert in 2010, the removal of the previous income limitation continues under current IRS rules so there is plenty of time to evaluate this option.

–S. Benevento, CFP,® CTFA

We strongly recommend consulting with your tax advisor prior to making any decisions related to your tax or estate plans.

Of Deficits and Debt *continued from page 2*

the combination of spending restraint and increased taxes actually eliminated the deficit and produced a budget surplus. Debt as a percent of GDP declined steadily to 35 percent. The Bush tax cuts eliminated the surplus and stopped the decline in debt. By 2008 debt had risen to 40 percent of GDP. Despite the common perception, spending has varied far less than taxes as a share of GDP. In effect, the federal government has frequently chosen to borrow the necessary funds (usually from the high-income beneficiaries of the tax cuts) to maintain its level of spending rather than raise those funds through taxes.

The current deficit and accumulated debt of 9 percent and 64 percent of GDP, respectively, are extremely high. The cyclical deficit and the stimulus programs account for a large share–about six percentage points–of this shortfall. With an economic recovery we can expect a rapid reduction in the cyclical deficit. Remaining, however, will be a structural deficit of about 3 percent of GDP. Without action this shortfall is sure to expand due to the projected growth in Social Security and Medicare spending. This must be addressed.

Bob Lincoln is Chief Strategist and a Portfolio Manager

The recent draft report of the so-called Deficit Commission headed by former Senator Alan Simpson and former White House Chief of Staff Erskine Bowles offers a good framework. The bipartisan commission had the luxury of making recommendations for the very long term, and has avoided the distractions caused by our divisive politics. Mssrs. Simpson and Bowles have made a good start at defining the nature of our spending and tax imbalances and identifying alternative means of achieving equilibrium. They have identified more than enough potential decreases in government spending to bring the 2030 budget into balance through expenditure cuts without any increases in receipts. Similarly, they have identified enough ways to increase receipts to bring the budget into balance without any reductions in expenditures. Which approach will win out? History would indicate that politicians' unwillingness to make meaningful reductions in expenditures will make tax increases a significant part of the solution.

—B. Lincoln

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Values

cutting edge companies

Neogen

This column highlights companies in the business of providing solutions to social and environmental challenges. Featured companies are typically held in the Small Cap Innovations portfolios offered to Walden clients.

On a rainy Sunday morning, I walked into my favorite diner, slid into a booth, and opened the menu. “What can I get you?” the waitress asked. “Hmmmm…” I said. “I’d like two eggs, scrambled, with Salmonella please.”

Heidi Vanni is a Portfolio Manager and Securities Analyst.

As far-fetched as this breakfast order sounds, thousands of people did, in fact, eat eggs contaminated with Salmonella bacteria this summer and hundreds were sickened. The massive egg recall by Wright County Egg has shed light on the complexity and dangers that lie within the modern industrial farm system. Cramped conditions for food animals, whether beef, poultry, or swine, create a breeding ground for bacterial contamination and other disease. As the United States continues to shift from locally produced food to consumption from the global food supply chain, the need for robust food safety testing has never been more important.

Founded in 1982, Neogen Corporation develops and manufactures a diverse line of products dedicated to food and animal safety. Neogen offers rapid diagnostic test kits used to detect foodborne bacteria, mycotoxins (i.e., mold by-products), food allergens, genetic plant modifications, animal drug residues, plant diseases, and sanitation concerns in human food and animal feed. Compared to legacy testing methods like Petri dishes, Neogen’s diagnostic test kits are less expensive, easier to use, faster, and more accurate, and the depth of the company’s food safety product line is unsurpassed in the industry. Neogen believes it has the best and most rapid test available for the detection of Salmonella in eggs.

According to the U.S. Centers for Disease Control and Prevention, one in four U.S. residents suffers from food poisoning every year (76 million reported cases). Of these, 325,000 people are hospitalized and 5,000 die, representing an annual cost to the health care system in excess of $150 billion. Two key factors–namely a shift toward more stringent government regulation and increased corporate liability concerns–are poised to affect the food safety industry dramatically. And Neogen may be a beneficiary. The Food Safety Enhancement Act (S. 510) passed the House of Representatives in July 2009 and received approval from the Senate on November 30, 2010. The bill mandates testing for food pathogens, drug residues, and food allergens, representing the most sweeping change to food safety regulation in more than 50 years. Additional regulatory tailwinds come from the Food and Drug Administration (new regulations on Salmonella contamination in shelled eggs) and the United States Department of Agriculture (draft guidelines on controlling E. coli bacteria and Campylobacter bacteria).

Farm conditions and trends warrant more food testing at the point of origin. Neogen, a company that excels at helping to identify safety concerns in the vast and changing landscape of food and animal safety, stands to benefit from increased testing requirements.

—H. Vanni