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## DVM Systems: Going global from Greeley



While most three-year-old companies struggle to get their product to the local market, one Greeley start-up has gone worldwide in just three years.

Indeed, the stars are aligning quite well for DVM Systems in southwest Greeley. The company, formed by five investors to create technology to detect illness in cows before it affected their milk production capabilities, operates from modest offices in the heartland. But it deals in millions worldwide.

Bud Stanley, CFO of DVM Systems, shows the bolus his company is now distributing worldwide to help catch illness in dairy cows before their conditions become clinical, which could help save the dairy industry millions a year in lost milk production. The company has only been in operation since 2009.

“We’re just on the cusp of really seeing the fruits of our efforts,” said Bud Stanley, chief financial officer of DVM Systems.

The company bought the worldwide rights and has marketed its temperature-sensing bolus to the world in its short time. The bolus, a software-based capsule that reads the cow’s internal temperature to detect the beginnings of illness, is given to a cow much like she would take a pill. The bolus settles into the cow’s second stomach and stays there for the life of the cow. Early detection of oncoming illness, before it becomes clinical, could save the \$35 billion-a-year dairy industry millions in lost production. Today, mastitis costs the U.S. industry \$2 billion a year.

The technology is being used in Weld County, which has more than half a million total cattle and calves, including dairy and feeder cattle. That number is growing daily with the impending onset of Leprino Foods in Greeley, a worldwide producer of cheese and whey products.

After raising an initial \$1.8 million to get off the ground, DVM is now trying to raise another \$3 million. The goal is to continue the growth that has really just come in the past 18 months, after several collegiate studies have proved the technology works. The money would be used to grow its sales force to distribute the technology throughout the world.

Studies are ongoing to use the boluses to predict when a cow should be impregnated, which also could save the industry millions, by eliminating the “shotgun approach” to determining a cow’s estrus. Results of those studies also could be used in the cattle feeding industry, Stanley said.

The company has recently worked with a distributor in Moscow, is in talks with a distributor in Saudi Arabia, and two in China, Stanley said. The company already is distributing through England, Australia, New Zealand, throughout the United States and Canada, even Italy, where the milk from the water buffalo is used to make mozzarella there.

“To me international marketing was selling something in Kansas,” said Stanley, 80, who has owned businesses in Greeley since 1956.

We sat down with Stanley and talked more about the company’s initial success:

Tribune — What will your technology mean locally, especially now that Leprino is ramping up and the county will have more dairy farms than ever?

Stanley — New dairies are coming in from all over. The largest dairy owner in New York is building a new dairy here. They’re going in south of Roggen. They’ve already got some 800-900 cows. They’re talking 5,000-6,000. Leprino needs a lot more poundage than they have.

When you have a Leprino, a company that makes cheese, the quality of the milk has to be at a certain level. You measure quality in milk by somatic cell count. When a cow gets mastitis, the somatic cell count goes way up. Those cows are millionaires because they can get so bad, one cow can have over 1 million in count — 10 times what it should be.

The people who make milk will pay a premium for a low somatic cell-count milk.

In the U.S. there are fewer dairies, but they’re bigger and bigger. That’s one of the reasons we created this technology. When you have a mom-and-pop dairy, you practically know the cow’s name, and you can spot lameness. Then the death rate was normally 1 percent. That was considered the norm. Today, the norm is 10 percent, that’s a result of increasing dairy sizes, and you’re getting huge dairies in Weld. Our theory is you don’t have to accept that. This technology turns that around.

Tribune — In addition to hard work, there’s been a lot of lucky breaks to help DVM Systems get off the ground. How have the stars aligned to make it work?

Stanley — Amazing things happen that amaze even me. One day, a man from another country came in the door, and he wanted to get his computer fixed by (my son). I asked him where he was from, and he said Kuwait. He said he was getting his second doctorate in business. He saw our business card with the cow on it, and he asked about the picture. I explained to him what it was. I didn’t know it, but he owned an agricultural company. He said ‘I’d like to come back and talk to you about that.’ We sat in this room, and he asked a hell of a lot of good questions. He asked if I could consider him as a distributor. I had my partners come in and we talked. He ended up selling half of his agricultural company to this monstrous ag company over there, and their rep was here last week from Saudi Arabia. We’re in negotiations for them handling our product.

Almost two years ago, my son and I went to a boat show in Seattle, and we were standing in line. Some guy came up behind me. I said hello, and he had an accent. I said, ‘You wouldn’t be from Australia, would you?’ I asked him, ‘What do you do?’ He said he owned a dairy. How cool is that? If he’d have been two people down, I would never had said anything to him. Isn’t life strange that way? He and his son are dealers in New Zealand and Australia today.

Tribune — Is it necessary in this day and age to go global for the sake of your business’ survival?

Stanley — No, but when you have potential sales, like a dealer in Saudi Arabia, and he says to you, ‘How long would it take you to make 60,000 boluses?’ That’s pretty powerful. That’s indicative of how big those dairies are in Saudi Arabia.

Anytime there is new technology (like DVM’s bolus system), there are what we call early adopters. We’re so impressed with this guy from Saudi Arabia. They’re so with-it technologically, you can’t believe it. You can see some emerging countries there that are going to be quite a challenge to the United States. They’re early adopters, looking for technologies to improve life and business. So, we could run this business profitably, if we just stuck in the U.S. But what we’re finding so far, some of these countries are far ahead of us in adopting new technologies, which is great for us, but as an American citizen, kinda makes you say, ‘Wow, why aren’t we doing that?’

There are huge dairies in some parts of the world. China is really pushing for milk for its citizens. They’ve had problems with food and poisons. The Russians are so excited about this. There’s a huge need for milk production there. There are 8 million dairy cows in the United States.

In Kuwait, they’re asking us, ‘Would this work for a camel?’ I said, ‘Why would you want it for a camel?’ In Kuwait, a camel costs \$250,000 in American money. We value our race horses at that.

Due to the amount of the need for dairy milk, that’s a heck of a good reason to go into China. But then the early adopters of technology, why wouldn’t you go after it?

Tribune — What’s next on the agenda and how will that change the business?

Stanley — When we get the breeding studies done, it will be useful in feedlots, as well. And for goats, sheep. We have the Israelis asking us about the sheep. There’s all kinds of applications for it. Things we never realized.

Our plan is to build this company up where we can sell it for a pretty good size chunk of money if we can get to that point. If we tried to sell just the technology without any distribution, we’d get less. We’ll get more for it, if we go out and set up worldwide distribution, and going through the expenses and time for universities to be on board, and so on. We think, and we hope, within the next couple of years, we’ll probably be gobbled up by a Merck or a Pfizer, or a DeLaval from Germany. There are some huge players as there is in any industry. So our goal is to increase the value of our company and flip it, if you will. But what we’re going to do, is we’ll take back a royalty for every one of these are sold after the sale. Even if we took back a \$1 per bolus, there will be millions sold every year. What a boon to people who had the belief in us to put up the money to be investors, as well as internal management team, the starter-uppers.

We’re having pretty good luck, but it takes money.

We’re not making any money on it this year. There’s not a positive cash flow, and we don’t expect it to be. It’s soon going to be. It’s just a matter of time now until that gets to a level where it turns around. If we keep up the rate we’re going, things can change, but it depends on the economy. But if things are halfway decent, in two to three years, we’ll be at a place we’ll be comfortable in selling.

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