



DAVISCOSCOPE

DAVISCO FOODS INTERNATIONAL, INC. ■ QUARTERLY NEWSLETTER

In This Issue



Rotational Grazing
Page 4



American Dairy Products Institute Honors Davis
Page 5



Understanding the Non-cash Side of an Income Statement
Page 5

D“Davisco Foods. May I help you?” Katie Skluzacek greets a caller in the office of Davisco’s Le Sueur Food Ingredient plant. Her voice warms the room. It’s impossible to guess how often she’s repeated the greeting since arriving at 7:30 a.m. The phone rings incessantly. Receiver balanced, she smiles at a visitor and connects the caller to plant manager, Jim Sullivan. The phone rings again within seconds.

An ordinary day? Yes. Effortless calm and efficiency? Certainly. Katie is a pro. All day she greets and connects people while at the same time organizing, ordering, managing payroll, creating production schedules and providing secretarial support. Fragmented by nature, the



Sandra Wersal

Look Who’s Talking



constant stream of activity looks effortless only because she’s focused, positive and capable.

In Lake Norden and Jerome, and in other Le Sueur offices, this performance is repeated daily. Women with roles similar to Katie’s are a connecting

point in busy offices. They’re gatekeepers, facilitators, and organizers. They manage payroll, payables, travel, trucking reports, calendars, scheduling, inventory, shipping records, insurance, contract management, communications, and a multitude of other details that keep the company functioning day to day. But first and foremost, they’re the initial and most frequent contact that customers, vendors and neighbors have with Davisco Foods International.

Davisco president, Mark Davis, says the company has always had terrific people in this role. “This is vital work. When people call or arrive in our plants, the way they’re treated matters.

Look Who’s Talking
Continued on page 2

"It definitely helps to have a sense of

Look Who's Talking
Continued from page 1

We've had nothing but good people in these positions, and I appreciate the differences each one brings to the task."

Marty Davis, Manager of Davisco's Food Ingredient Companies, says the group is also valued by management as part of the sales team.

most flash an amused grin when asked what might happen if they suddenly disappeared *en masse*.

Sandra Wersal exemplifies this upbeat energy. She began working with Davisco in 1990 as a lab technician in Lake Norden, South Dakota, and later moved to office management in the same plant. Since 1996, Wersal has orchestrated the details of sales and office management in the Eden Prairie Sales Office. She's "grown into" these roles through the years, and says there is nothing she dislikes about her current job.

Wersal smiles, "I can't think of a day when I didn't want to go to work. I learned the realities of plant operation — production, shipping, and record keeping — early-on, and I've grown

to handle human resources and accounts payable, and has been doing so for five years. Stromseth came to the Lake Norden Food Ingredient plant in February 2000 as receptionist.

"I love the fact that I can talk all day," she laughs. "But seriously, I know the value of a good first impression, and it's always my goal to be as professional as possible. I've enjoyed the opportunity to learn something new every day, and the people and the relationships that develop are really satisfying."

Tormanen also feeds on the energy that emerges from these good relationships. "I have more contacts every day, and as my network of customers and vendors grows, I see a positive difference in the way things work both inside and outside the plant. I believe that my commitment to treating *all* people well is a part of this."

Jody Sippo echoes the sentiment. Small things add up, in her opinion, and supporting others make a difference. Sippo sees her role in Davisco's Le Sueur Business Office as an opportunity to help day to day business proceed smoothly, and she likes being part of the process.

Penny Lawton

Sheila White

"Multi-tasking is t

Trina Stromseth

"A difficult situation can be resolved positively when the right kind of service is offered during the first call. The genuine concern and helpfulness these folks bring to their jobs is evident to all the people who deal with Davisco. These responsibilities are so very critical to our company."

The spirit is upbeat among these women. Without exception they see themselves as "people persons." They take pride in their ability to do their jobs well, and are heartfelt about the value of a friendly, welcoming office environment. While not overly focused on personal contributions to Davisco's success,

with the company. Now I can honestly say there's nothing about my job that I dislike. It's satisfying at the end of the day to know I've accomplished what I set out to do."

Connie Tormanen and Trina Stromseth are the current keepers of the Lake Norden office. Tormanen, who came to the company with a background in banking and finance, began her work with Davisco in the warehouse office as shipping and receiving clerk. A year later she was asked

Jody Sippo

Connie Tormanen

humor.”

Many Davisco employees who are in frequent contact with customers are personal assistants to managers. While the tasks they perform are similar to those of Skluzacek, Wersal, Sippo, Tormanen and Stromseth, their primary focus is helping managers do their jobs well while dealing with the realities of rigorous schedules. It's a challenge, and personal assistants become responsible for communications

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Jenny Olinger

portation — and in the process the ‘task’ has become a genuine concern and desire to help.”

As assistant to Marvin Bartlett (Director of Engineering) Lois Hutton has also learned to expect the unexpected. She relishes the learning opportunities that go along with this and is open to the continued evolution of her role. “I work hard to protect Marvin’s time so he can accomplish what he needs to do. I facilitate computer technical support within the company, manage personal expense accounts, answer the phone, screen calls, and code the invoices we receive.

But now I’m also working with contracts, printing blueprints, and tracking project invoices.”

Jenny Olinger is personal assistant to Mark Davis. Since starting with Davisco at the Saint Peter Creamery in 1991, she’s learned first-hand the value of flexibility. Nearly ten years with the company have also made her a valuable source of information for co-workers. Olinger’s daily work includes travel management, secretarial duties and management of expense accounts, but per-

spective employees; monthly mileage, trucking and payroll reports. I handle time cards and keep our employee list up to date. The challenge is to maintain concentration for all of those things *and* manage the phones in a professional manner.” Through the years Culbert has taught herself ways to manage the stress of fragmented days: In addition to good habits and a real gratitude for co-workers she enjoys, she finds an outlet playing softball. “It’s fun,” she says, “I’ve played for years because I love it! It gives me a fresh outlook, and if you think about it, it’s also an exercise in teamwork that carries over to the office.”

In addition to active lives away from their jobs, these office magicians agree that relief from the volume and pace of their work is best found in *humor*. It’s natural. They are, after all, “people persons” and thrive on the interaction that comes with being “grand central.” A laugh, a story, a warm greeting, an occasional prank

spare — the phone doesn’t quit, and it’s only one of a long list of responsibilities they share. But while handling it all they exude energy. They celebrate. They encourage laughter and interaction. “It helps to be dramatic,” says Lawton. “I think it makes people want to call.”



Lois Hutton

the name of the game.”

agement, travel arrangements, and facilitating action.

This role has the potential to present unexpected activities. Jenny Brostrom, assistant to Marty Davis, expertly handles the daily details. But she’s also spent considerable time helping employees who are recent immigrants to the United States.

“I was drawn into immigration processes and procedures through human relations work for the Food Ingredient Division,” says Brostrom. “I’ve worked with immigration attorneys and helped people settle into the area. I’ve made sure these new people are taken care of — home, furniture, trans-

haps most importantly, she’s ready to rise to the occasion when the unexpected occurs.

At the Le Sueur Cheese Company, Sheila Culbert has been assistant to Mitch Davis since 1995. Direct, friendly, and quick to learn, Culbert says that, while she’s a self-starter and a hard worker, those two things alone aren’t enough to handle this kind of job well. “I’ve learned to prioritize,” she explains. “I work with human relations issues;

lighten the day, create balance and feed the connections that are a valued benefit of their jobs.

At Jerome Cheese Company, Penny Lawton and Sheila White make laughter and good natured humor the foundation of their days. Neither has time to



Sheila Culbert



Mindy Holicky



Producer Update

Management Intensive Grazing

While management intensive grazing and organic farming are new practices for many in dairying, they are a natural outgrowth of heritage and personal values for Jeff and Pam Riesgraf of Jordan, Minnesota. Together with their five children the Riesgrafs manage land that's been farmed organically since 1959, when Jeff's father, Erwin Riesgraf decided against chemical application for weed control and soil augmentation.

Since 1987, the Riesgrafs have managed a dairy herd of fifty using rotational grazing methods. Behind their home in a rolling fifty acre pasture the herd forages daily when snow is not on the ground. The cows are restricted to a different portion of the pasture each day, allowing time for the regeneration of plant life in other parts of the pasture. Perimeter fencing is augmented by a movable electric wire fence that confines the herd to various areas of the pasture, called paddocks. Jeff says that moving the fence is a daily highlight for him, a nature walk that offers the opportunity to watch animal and plant life change as the seasons progress. The herd routinely goes to pasture after the 6 a.m. milking and returns to the barn at 5 p.m. During milking the herd's diet is augmented with hay and grain. The family grows the grain they need and keeps ample hay on hand for use during dry periods and in the winter.

Sustainable livestock methods vary considerably from region to region and can be practiced in various intensities. The number of paddocks,

length of grazing periods and time allowed for forage renewal vary, and have a cumulative effect on both production and the condition of the land.

What rotational grazing systems share is a reliance on the natural ability of cattle to harvest their own food, convert grass into milk and cycle nutrients back into the land. Grazing dramatically slashes feed, equipment, energy, housing and veterinary costs. In spite of less reliance on veterinary services, most herd managers say they have exceptionally healthy herds with few leg, foot or stomach problems. This they credit to the natural, grass-based diet, large doses of regular exercise and the close attention they pay to herd health. Milk production is lower than it might be with other management methods — approximately 50 pounds per cow per day —

but profits are healthy because expenses are low. While financial and ecological benefits are important, the Reisgrafs emphasize that one of the biggest bonuses of using this system of herd management is the stretch of several hours they can call their own every day while the herd is at pasture.

In practice management intensive grazing requires farmers to closely observe changes in the land and their animals. Success requires careful timing of herd/paddock rotations, adjusted to the growth stage of the forage, as benefits are reduced when animals are shifted according to a rigid time schedule. But the method can be a boon to mid-sized dairies struggling to succeed by conventional methods. ■



Jeff & Pam Riesgraf



Jeff Riesgraf surveys the family's herd at pasture.



Rows of compost line a field on the Reisgraf farm.



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Many farms are family endeavors, but Brent and David Funk have a unique take on the family farm — a team effort on separate operations only miles apart.

Producer Profile



David Funk takes care of business in the dairy office.



Brent Funk stays in touch from the field.

David's farm is near Muragh, Idaho, while Brent runs his farm five miles away close to Hansen, Idaho. They share much in common. Both began as row crop farmers and continue to crop farm while running approximately 1,800-cow dairy farms. Both have families that help with operations, and they both envision a life-long farming partnership between their families.

"I think I got into dairy farming by accident, just to diversify my farm," says David. He began his dairy operation 10 years ago but has been ag farming for 25 years. He continues to grow potatoes and grain. Brent has been row crop farming for 20 years, once serving as chairman on the National Potato Board and dairy farming since 1986. "I bought a farm that had a small dairy on it, and that's how I started — real small."

Although they run separate farms, the brothers work together to make their operations successful. "We compare notes in meetings. We talk almost daily on production, using each other as a resource that way," says David. "Every day has a challenge." "We run separate operations," says Brent, "but if one gets behind, the other will help."

Brent adds he's proud that they're "still getting along after working together for so many years."

Brent and David are no strangers to family team work, though. Their two other brothers, Darrell and Leroy, also row crop farm. They all grew up on a farm in Burley, Idaho, and have all worked together in the past. Both Brent and David also have families of their own. Brent and his wife, Chalet, have six children from kindergarten through 12th grade — Hailey, Chase, Cody, Sam, Zack, and Heidi. Brent says, "some of them like it and some of them don't." David and his wife, Shirlene, have five children. Alish is attending Utah State University, Joshua is on a mission in England, and Jeremy, Whitney, and Gentry live at home while in school. Jeremy runs the haying operation for their farm. "They're good friends," David says. "Brent has a gym at his house, and the kids all like playing together over there."

"I keep learning to improve and be more efficient," says Brent. "I hope my family will stay in the business. My odds are pretty good — I've got four boys." ■

Understanding the Non-Cash Side of an Income Statement

An important part of evaluating an income statement is recognizing non-cash expenses. Non-cash expenses are depreciation (the portion of fixed assets allocated on a monthly basis for repairs and replacement), cull cow basis (the undepreciated value of cows as they are removed from the herd), and amortization (the part of intangible assets such as loan fees that is allocated on a monthly basis).

What is immediately apparent is that these expenses do impact the bottom line or net profit. What is not always understood, however, is that these expenses do not have an impact from a cash flow point of view because they are non-cash expenses. When determining a traditional cash flow, the total of depreciation, cull cow basis, and amortization should be added back to the net profit total.

The most important aspect of non-cash expenses is that they represent a way to allocate money toward replacement of fixed assets over the estimated useful life of the asset. For example, in the case of a piece of equipment with an estimated life of seven years, the cost of that equipment would be divided by seven years and expensed as depreciation on a monthly basis instead of expensing the entire cost of the asset at the time of purchase.

For a cull cow expense, when a cow leaves the herd, the difference between the original cost of the cow and the accumulated depreciation already expensed is the cull cow basis. This represents the additional dollars beyond the depreciation already taken to replace the animal and maintain herd size.

Remember, when evaluating your financial statements, do not look only at net profit, but also evaluate your dairy's ability to cash flow by taking into account the impact of your non-cash expenses. ■

Davis Honored for Development of Whey Protein Technology

During the spring of 2000 Davisco President Mark Davis was honored with two awards for business achievement. Both awards recognized contributions to the dairy industry and the positive impact of those contributions on the communities in which company operations are based.

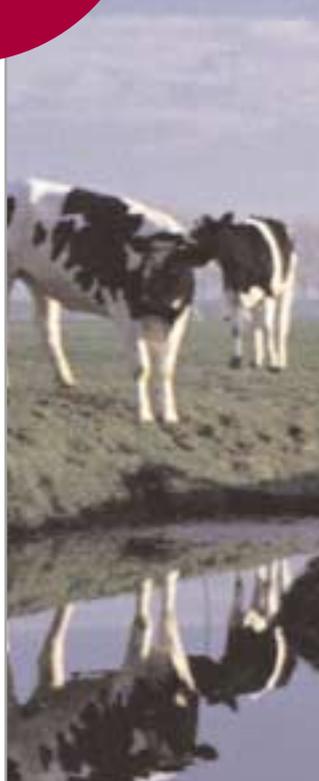
At a June meeting in Chicago, Illinois the American Dairy Products Institute announced its selection of Davis as recipient of the 2000 Award of Merit. Established in 1991, the award honors individuals who have made outstanding contributions to the dairy industry and have had leading and positive affects on the United States dairy industry's evolution.

During the award ceremony, representatives of the Institute cited Davis' leader-

ship in the development of whey processing technologies as instrumental in the U.S. dairy industry's ultimate success in that arena. The first commercial whey protein isolate plant in the world was established in Le Sueur, Minnesota in 1983. In addition, Davisco has maintained a successful relationship with Kraft Foods, the world's premier cheese processor, for more than thirty years. The company is now one of Kraft's largest suppliers.

In May, 2000 Minnesota State University, Mankato honored Davis as recipient of the Distinguished Alumni Achievement Award. The award recognizes alumni who have achieved high rank or honor in their professions and have a widespread affect in their communities. ■

Bank on Success



We believe the success of dairying depends on an awareness of the forces at work in the marketplace and our ability to take control together.



In Focus
Mark Davis

We feature Davisco's voice mail system in this month's *Daviscope*. No Paul Harvey News, wild music or radio commercials interspersed between recorded instructions when folks call Davisco. Thanks to these marvelously friendly, hard working women, our frontline company representatives spend their busy days accomplishing many tasks, while presenting the best possible first impression, with

a "human touch" to our many valued customers, suppliers and other friends.

Our Producer Profile is an example of the contrast that exists in agriculture for individual preference in style and size of operation. The extended Funk brothers family cooperation and those of Jeff and Pam's immediate family, are what makes farming somewhat unique as to structure. Corporations don't operate in

such a flexible and fluid manner. Those who would promote the myth of "corporate farming" taking over agriculture, need to become much better informed as to the miniscule existence of farms that are *not* family farms.

Food Ingredient Plant Achieves Safety Goal

On July 16, 2000, employees at Davisco's Nicollet Food Ingredient plant marked five years without a lost time accident. Awareness and consistent effort make this happen, and Nicollet employees are to be congratulated for their good work.

In all Davisco manufacturing plants, safety is prioritized for the benefit of employees, and is also critical to the success of the company. When safety comes first we meet OSHA regulations, have a better working environment, and make a better product. ■

Institute of Food Technology Expo Showcases Davisco Product Applications

During the week of June 11-14, 2000, food manufacturers gathered in Dallas, Texas to showcase new products and share developments in food technology. Davisco personnel demonstrated the qualities of the company's most advanced whey protein hydrolysate, BioZate.®

Developed by Davisco's research team, BioZate®

has garnered attention for both its highly specific foaming, gelation and emulsification characteristics and its anti-hypertension activity.

Drinks using the product gave guests the opportunity to sample the

clean flavor of whey protein hydrolysates. Guests were also offered free blood pressure checks.

Formally, these product developments were presented in a session entitled, "Unique hydrolyzed whey protein isolates with anti-hypertension activity." ■



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