



# DAVISCO

DAVISCO FOODS INTERNATIONAL, INC. ■ QUARTERLY NEWSLETTER

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The plants and offices of Davisco Foods International are filled with talented, hard-working people who give their best both on and off the job. Away from the demands of work they pursue hobbies, raise families, travel, volunteer, and enjoy friendships. They look for balance, and bring the benefits of rich, healthy personal lives to the workplace every day. We think their commitment, their indivi-

Mike grew up in the Carpenter area of eastern South Dakota, about forty-five miles west of Lake Norden. There his family had horses for both work and pleasure — Belgians to pull a sleigh with hay for the cattle in winter, and saddle horses for fun and riding the fields. His two younger brothers shared

his interest in horses; all three were members of a local club. "I learned a lot about horses from people I worked with," explains Noethlich. "Once a month the club organized a large show — one with roping and games that called for skill and strength. 'Monkey in the tree' was popular — a game where one of a pair of double riders is left hanging from a rope while his partner takes a swing around the ring — and then of course picks him up!"

Noethlich thrived on this and served as president of the club for six years, organizing events non-stop. He learned to break horses and got into a pattern of buying a new one every thirty days, breaking it, then selling it. He enjoyed the process. "I like riding young horses that are pretty green, training them and watching them grow," he says. "Horses are



*Mike  
Noethlich*

a lot like people. They know whether a person is frightened or confident, enthused or not. A horse learns quickly."

Noethlich still enjoys breaking horses. "Training an animal keeps you on your toes," he says. "None are alike."

Through the years Noethlich has been without horses during only a few brief periods, when he lived in town. His current home accommodates them well and he finds real pleasure in having them around. "I guess horses are relaxing for me," he explains. "I ride daily in the summer; not as much in winter. My wife likes to ride, too, and we spend a lot of weekends in the summer riding through our pastures."

*Personal Time*

Continued on page 2

## On Personal Time

duality and their sense of fun make a difference at Davisco, and urge you to read on.

### Horse Talk

When it's time to go home, Mike Noethlich leaves Davisco's Lake Norden, South Dakota plant for an acreage a few miles away. For him it's a haven, a place where he can enjoy some space and care for the horses that have been a part of his life since he can remember.



*Dan Barringer*

*Personal Time*  
Continued from page 1

## Outdoor Adventure

These days, as both a student at Minnesota State University, Mankato (MSU) and a lab technician in Davisco's Le Sueur Food Ingredient plant, Dan Barringer doesn't have a lot of free time. He hustles to maintain grades and travels to Le Sueur to work most days of the week. But when free time presents itself, he spends it the way he always has — outdoors.

Barringer says that though it sounds unlikely, he developed his love for the outdoors growing up in Minneapolis. His father, who grew up on a farm and has long been involved in Scouting, shared a passion for the outdoors with his son.

Dan also became involved in Boy Scouts, and

from a young age seized every opportunity he had to go camping. "For years my troupe camped one weekend *every* month, all over Minnesota and in Wisconsin. I loved those chances to be away exploring, and enjoyed learning to be self-sufficient at summer camp, too."

Barringer went on to earn honors as an Eagle Scout, the highest achievable in Scouting, and values the many skills he learned along the way. "I came to this university to play football, but realized that I couldn't continue my pursuit of science and environmental studies if I kept doing so. I know this commitment developed because of my early experiences with nature. I respect its complexity. I'm concerned about the impact humans have on the environment, and I believe we need to be more serious about issues like population growth, urban sprawl and water quality.

Dan's job at Davisco does eliminate some of the time he'd otherwise have for fishing, hunting and camping but he says he likes it. "I've learned more working here than I could learn in a year of chemistry class. Real life just isn't as neat and tidy as a lab experiment, and I like the hands-on experience."

*My commitment to science & environmental studies developed because of my early experiences with nature.*

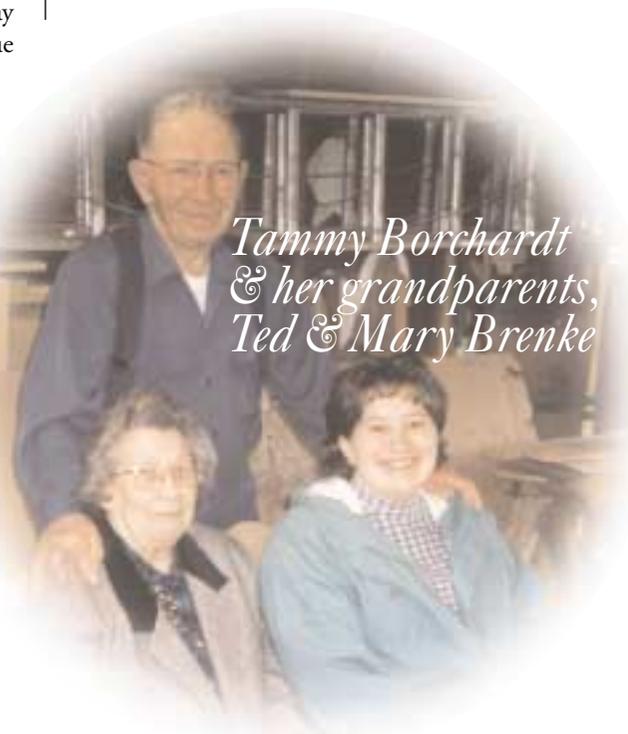
*Dan Barringer*

## A Sense of Place

Tammy Borchardt, Davisco's accounts payable manager since 1995, finds Le Sueur, Minnesota a great place to live and raise a family. She grew up in Le Sueur surrounded by family and now relishes the opportunity to maintain close ties with those same people.

"Growing up, I had the fun of staying with grandma and grandpa while my mom was at work," Tammy recounts. "Grandma and I made pies and cookies. Grandpa let me spend time in the workshop with him. I still enjoy a special closeness with them and I'm happy my son, Alex, can know them, too."

*Personal Time*  
Continued on page 3



*Tammy Borchardt & her grandparents, Ted & Mary Brenke*



**In Focus**  
*Mark Davis*

**D**uring this period of surplus milk production, and, it's resulting low farm milk prices, the comments beginning on page 4, *Producer Update*, take on renewed urgency for our hardworking milk producers.

Present milk revenues demand that dairy farmers become even more aware of those costs and management practices that yield

the most economically efficient and component maximizing results.

With cheese consumption continuing to increase at a steady pace, dairy farmers that incorporate improved cost of production and increased component yields, will be able to take full advantage of the future rise in milk prices.

**DAVISCOPÉ**  
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**DAVISCO**  
FOODS INTERNATIONAL, INC.

Now that she has a family of her own, Tammy finds quiet times harder to come by but still makes the people she loves a priority. "My days are full!" she laughs, "I believe in giving my best and getting my job done well, so I work more than full time some weeks. But when I'm home I enjoy my husband and two-year old. We go for walks, play outdoors, invite friends over."

It's the simple pleasures Tammy cherishes. "I love to decorate for Christmas, go biking and explore the park," she says. "Before Alex was born I did a lot of crafts and baking, too, but those pastimes are on the back burner now!"

Borchardt also enjoys spending time with her extended family — mom, dad, two of her three brothers and her grandparents live nearby. When it comes right down to it, she says, the thing she enjoys most is making people happy. "We celebrate together, help each other out and have a good time. Alex has been in the hospital five times this year. There was a lot of caretaking to do, and at times like that it's really good to have people to count on."

## Family Time

Stepping away from the dryer at Davisco's Nicollet Food Ingredient plant, Dale Corbett smiles a greeting. Asked about his schedule, he laughs; swing shifts and schedule adjustments made by employees for the sake of families can make work hours crazy and sleep a rare commodity. But Corbett doesn't complain. "My feeling," he says, "is that you do as much as you can with the time you have."

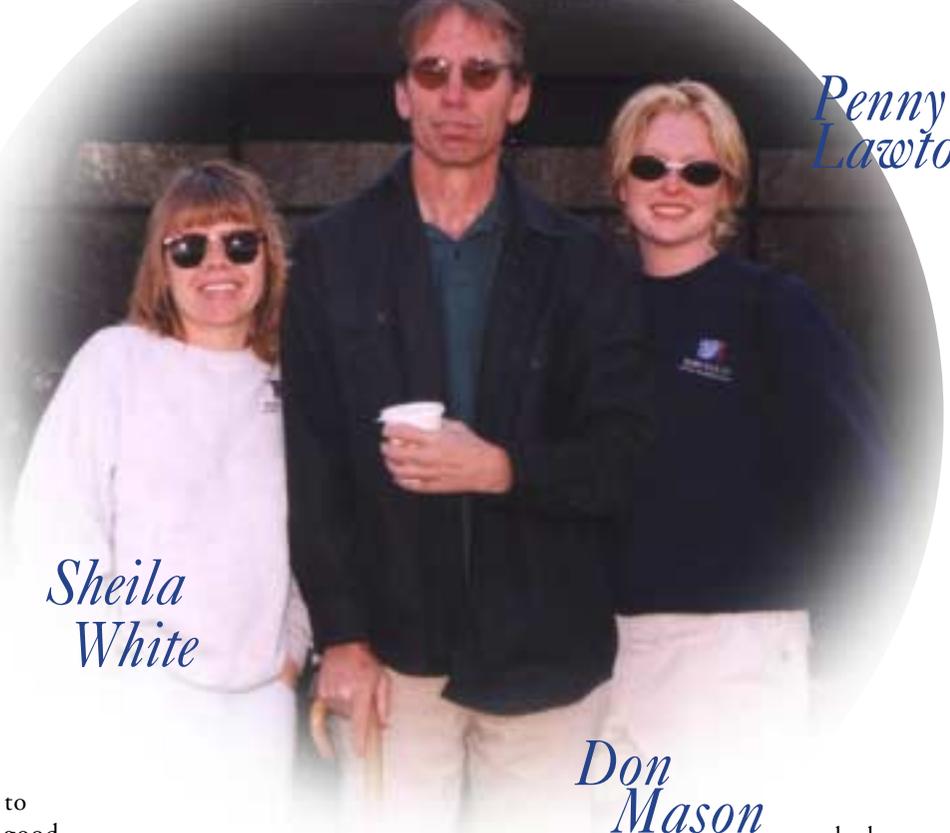
*My feeling is that you do as much as you can with the time you have.*

Dale Corbett

When not at work Dale enjoys fishing, cooking and bowling. He's learning to use the computer and gets out on his four-wheeler when he has the chance. He likes to stay active, but it's immediately clear that his personal interests, while fun, are not the focus of his life. His family takes center stage and he warms to an opportunity to speak about Laura, his wife, and daughters Brooklyn, 7, Cheyenne, 5, and Sierra, 3.

"I try to spend as much time with them as I can," Corbett explains. "On Tuesdays, when I'm off, I enjoy taking the girls to dance and 4-H. I get up to help them get

*Dale Corbett & family*



*Sheila White*

*Don Mason*

ready for school when I can, and I like to make a good breakfast for the family. We talk. The kids are interested in what's happening with us — Brooklyn will ask me at the end of the day, 'How did the dryers run today, Dad?' She knows that things can be frustrating at times.

"Laura works midnight shifts, so our schedules can be a challenge. We make a point of talking and scheduling times when we know we can be together. We enjoy couples bowling, and make sure we both have one Saturday a month away from work together."

Dale's warmth and generosity extend beyond home to friends and co-workers. He keeps a regular weekly lunch date with friends and speaks to groups occasionally. "Dale is humble," says plant manager, Jim Kretsch. "He supports people. He goes out of his way to help others get to work. He really makes an effort to give his best at all times."

## Cause for Action

Sheila White and Penny Lawton sit side by side in the Jerome Cheese Company office. You see their smiles when you enter the office and hear the welcome in their voices when you call. "Sparkplugs," they've been affectionately called — energetic, hard-working women who love to laugh and keep things upbeat.

In May of 1999 an invitation to participate in the Twin Falls, Idaho *MS Walk* captured

Sheila and Penny's attention and both decided to get in-

involved. Though busy in off-work hours with family, projects and community activities both thought of their friend, long-time Jerome Cheese Company employee, Don Mason. Years spent working side by side with Mason, who has MS, had familiarized them with the effects of the disease. So in honor of Don's fun-loving, tenacious spirit they set a fundraising goal of \$500 — and the fun began!

Never known for shyness, Lawton and White began their campaign asking anyone and everyone who came in the door for donations. They called employees elsewhere in the plant, initiated a competition between supervisors, set daily goals, phoned employees of other Davisco plants to ask for help and taped paper hightop tennis shoes all over the walls, one for every gift. "People were great," recalls Lawton. "Some called daily to check the running total. Others heard about what we were doing and called friends. I called Mark Davis and he made a contribution for each of his grandchildren, long-distance. Jon (Davis) was supportive, and people came together. When the day of the walk arrived, we'd exceeded our goal by more than one hundred dollars."

Though Mason was not able to walk in the event himself, he joined Sheila and Penny at the College of Southern Idaho in Twin Falls the day of the walk "When we saw him that day he was flirting with Miss Rodeo!" laughs Penny. "He works hard for the MS Society in this region, and is always encouraging us to reach for our goals. I know he appreciated our efforts."

"It really was fun," Sheila adds. "The experience created a new awareness of other people and what's possible." ■

*The experience created a new awareness of other people and what's possible.*

Sheila White



# Producer Update

## Working with a Financial Consultant

**A**s financial reporting and analysis becomes more important to running a profitable and successful dairy operation, identification and selection of key players to enhance the management team is paramount. Not only do lenders require monthly financial reporting, the accuracy and analysis of these financial reports by operators are a critical component to making ongoing management decisions. Hiring a financial consultant/bookkeeping/accounting service can provide you the professional expertise often lacking in dairy offices. And it usually costs less than hiring a full time employee.

When seeking to out-source this work, it's important to look for an organization or individual that understands accounting, agriculture/dairy financing, points out Pam Cords, of Financial Standards Connection, Inc., Mankato, MN. "I see a lot of accountants who try to fulfill the accounting need, but who don't understand the dairy business in terms of the adjustments and internal functions that impact the financial statements or financing and structure of loans and reporting. They try to fit dairy operations into a standard business format." Inventories, culls, young stock, dead cows, and growing crops are items specific to the dairy enterprise that must accurately be accounted for to get a precise financial picture.

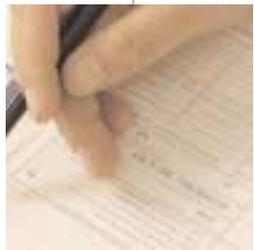
Finding a consultant who can: function

as a front-end office, know the inner working of a dairy operation, generate an accrual-based financial statement and assist the owner/manager in presenting this information to a lender is not an easy task, says Cords. A consultant who can perform all of these tasks can assist with coordination of all financial-related functions

for the dairy. The key is having a timely monthly financial statement and hundred-weight (CWT) comparison that managers can use to make proactive rather than reactive decisions. This accrual-based financial statement and CWT comparison can help to quickly identify areas of fluctuation or change if utilized properly. Managers are then able to pinpoint causes of change and make proactive management decisions that enhance the profitability of the operation.

Timely monthly financial statements and CWT comparisons can have a positive effect on cash flow, says Cords. "A dairy operator can minimize the time it would take to identify and correct a problem or a cash flow drain that would potentially be unidentifiable immediately without a financial statement and CWT comparison."

She uses a common example: Most operators believe they can raise a crop cheaper than they can buy it. When labor, machinery costs, repair, fuel, rent and other inputs are



TEAM MANAGEMENT  
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## Producer Profile

Recent milk production at the Brandt Dairy near Henderson, Minnesota has owner Dave Brandt and son, Tate, smiling. "It's nice to walk in, look at the milk slip and say, 'All right!,'" laughs Tate. Years of patient attention to genetics and feeding have paid off for the Brandts, who milk fifty holsteins. In a recent month the herd topped 20,000 pound production per head, a level the Brandts have worked to achieve for some time.



Dave Brandt (right) & son, Tate  
Henderson, Minnesota

"A lot of little things make the difference," explains Dave. "We work with the vet closely on herd health and reproduction and with our feed supplier, Prairie Farm Supply, on nutrition. We started feeding haylage a year ago; that bumped production five to eight pounds per cow."

Timing of breeding and calving makes a difference in overall herd health and milk production as well, the two say. "Seventy five percent of our cows have calved in the fall the past two to three years," Dave says. "They're coming in prime time, right after the heat of the summer, and peaking (milk production) all winter."

In addition to milking, the Brandts farm a total of about one hundred acres. "Not enough to provide both grain and forage for the herd," says Dave. "but enough so there's silage and haylage for herd use year-round. We started buying corn in 1988, when the drought forced it, and have continued because it's worked out really well."

Dave grew up on the farm he now manages and has milked since he was young. "I'm happy with what I'm doing," he smiles, "I spent a year studying dairy management in Hutchinson after high school. When I came home I redesigned the barn and we remodeled in 1979. Even now I don't think I'd change a thing. It's worked out well."

Family has been an important part of the dairy's success through the years. Tate, who will soon graduate from Le Sueur-Henderson High School, gets credit from his dad for his contributions. "He's a good worker and I'd love to see him milk with me now," says Dave, "but the numbers just aren't there for us to do it." In all likelihood, however, Tate will help out whenever he can take a break from his studies next year. "Because our family helps us out," says Tate, "we've gotten vacations in through the years. Grandpa and Grandma still live here, and all of Dad's immediate family are within ten miles. We all like to pitch in." ■

### Team Management Continued from page 4

accurately tracked and assigned to specific enterprises or commodities, it isn't always true. If the crop year is poor, resulting in a decrease in crop production, and the operating expenses aren't allocated properly, the dairy operation often absorbs the added cost. This makes the dairy enterprise look unjustly less profitable. The same is true for raising young stock vs. purchasing heifers.

Networking with peers in the business is probably the best way to find a financial consultant who can perform the many tasks that Cords describes. Ask other dairy operators how they get the job done. Talk to processors and lenders. Ask for referrals. Spend some time interviewing potential consultants. Make certain you understand the services they can provide, and their understanding of financing and dairy's other components.

"Owner/operators are very busy running the day-to-day operation. They often can't find time to fit in the bookkeeping and accounting on a timely basis. The impact of not having this information as a routine management tool is critical. More operations are finding it extremely advantageous to outsource this piece of the business to a third party. By utilizing a team approach, you can include various backgrounds and expertise in the individuals you incorporate into your team," says Cords. Examples are owners, managers, financial accountants, lenders, nutritionists and veterinarians. "These individuals all need to share the common goal of focusing on the success and financial profitability of the dairy operations they serve," says Cords. ■

Timely bookkeeping & analysis of financial records are a powerful management tool.

## Do you manage for optimum profits?

Look around for low feed prices. Ask questions. Evaluate costs per cow, per day/feed cost/cwt.

Minnesota	Spot/Load	AMJ
Cottonseed	\$164	\$164
Hay	\$95-100	(RFV 150-160)
Distillers	\$70	
Corn Gluten	\$62	
Corn	\$1.815/bushel	
Soy Meal 44%	\$160	\$162.50
Soy Meal HP	\$166	\$168.50

## Feed for milk component value, not volume.

Work creatively with your nutritionist to match feed price and nutrient content with component value results.

### Le Sueur Cheese Company, February 2000

Butterfat (Value on Surplus Fat)	.09197/point/cwt
Protein	\$0.217/point/cwt
Somatic Cell Count	\$0.60/cwt/below 200,000 \$0.30/cwt/below 300,000

### Jerome Cheese Company, February 2000

Butterfat (Value on Surplus Fat)	\$0.09588/point/cwt
Protein	\$0.19849/point/cwt
Somatic Cell Count	Bonuses ranging from \$.04 to \$.45/cwt are given for counts 0-500,000. \$.04-\$.45 is deducted for counts 501,000-1,000,000

Point= 1/10 of % (For example: 3.2-3.1=1 point)

Note: Each dairy is individually evaluated. This is a simple overview of point value.

## Working the Numbers

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.

## Challenge & Opportunity, Constants for Klein

Mike Klein, Plant Superintendent of Davisco's Lake Norden Food Ingredient Company, finds challenge in the daily operation of the plant — troubleshooting systems, maintaining efficient manufacturing operations and implementing plant improvements with the help of eighty employees. He cites watching numbers, the continuous education and training of people running the equipment and keeping employees in a good working environment as among his most important tasks.



Mike Klein  
Plant Superintendent,  
Lake Norden Food  
Ingredients

"I enjoy working with a team of dedicated people," says Klein, who admits, "The Lake Norden team has weathered many storms."

One of the biggest challenges the Lake Norden team faced was commercialization of the *VersaPRO* process. "*VersaPRO* took a huge amount of energy from everyone, including the corporated support people. There was a lot of blood, sweat and tears involved, but it was worthwhile," says Klein. "The knowledge gained allowed us to build a *VersaPRO* plant in Jerome."

The core team at the plant that virtually turned the plant around consists of: Mike Noethlich, Plant Manager, Jay Headley, Quality Assurance Manager, Jay Baldwin, Whey Plant Supervisor and Dave Kindt, Maintenance Director.

The plant purchases whey solids from three suppliers and processes them into whey protein concentrate (WPC) of various levels (65-90%) and edible lactose (milk sugar). WPC is used in the nutritional and dietary supplement markets. Edible lactose is a by-product of WPC. Lactose

was previously land-spread. Now it's processed at the plant into a value-added product. The lactose is used as an ingredient for infant formulas, candies, baking mixes, etc., explains Klein. "We greatly improved the lactose quality from where it was seven years ago by bringing in good people to manage and run the equipment. Equipment was also upgraded and additional equipment was purchased. In addition, we've worked very closely with our whey suppliers to improve and maintain the whey quality," says Klein.

The custom-drying operation at the Lake Norden plant agglomerates and instantizes starches using a large Stork agglomerator, says Klein. The resulting products are used in artificial sweeteners, gravies, food thickeners, etc. The plant also instantizes its own 80% WPC and the *BiPRO* from Davisco's Le Sueur and Jerome plants, according to Klein.

"With all of the plants, there are always challenges and opportunities for improvement," says Klein, who is also involved in operations at other Davisco plants. "We almost always are allowed (by Davisco's management) to do things to improve. We see where the problem or opportunity lies, develop a plan and execute the plan."

Klein began his work in Lake Norden in 1994 with the start-up of lactose processing in the plant, but ultimately began with Davisco during high school, scrubbing cheese vats and unloading milk trucks under the guidance of Marlow Starkson at Le Sueur Cheese Company. After graduating with degrees in accounting and finance from Minnesota State University, Mankato, Klein worked full time in the same plant, learning the whey protein side of the business and supervising the *BiPRO* department. Mike hails from the Saint Peter, Minnesota area. ■

### Manager Profile

## Le Sueur Cheese Company Expands

New packaging capabilities and 60,000 square feet of space have recently increased the number of products offered by the Le Sueur Cheese Company. While manufacturing has not been expanded in the plant, the new 40 and 640 pound blocks make secondary cheese processing more versatile and thus more attractive to customers.

Traditionally, the Le Sueur Cheese Company has packaged cheese in 500 pound, reusable barrels for industrial sale. The new rectangular, block-shaped cheese makes it more efficient for processors to shred and chunk cheese for retail and institutional use.

The Le Sueur Cheese company manufactures both natural and processed cheeses. Natural varieties include cheddar, colby, monterey jack, colby-jack, enzyme-modified, parmesan and Gouda. Processed cheese, generally sold for retail use as singles or in shredded, loaf, sauce or



Operations have continued as normal at Le Sueur Cheese in spite of construction.

powder form, is also sold for industrial and institutional use. New block packaging has increased Le Sueur Cheese Company's customer base and access to markets for most of these varieties, and the trend is expected to continue. ■