



DAVISCOPE

DAVISCO FOODS INTERNATIONAL, INC. ■ QUARTERLY NEWSLETTER

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A Safety Culture

Each week, thousands of people walk in the doors of five Davisco plants in three states, ready to do the work that manufactures, packages and annually ships 320 million pounds of cheese and 120 million pounds of food ingredients that end up in restaurants, food plants and homes across the United States and beyond. These committed people show up on time, focus on the task at hand, solve problems and, *for the benefit of all*, make safety a core priority in the working culture.

“Safety is everybody’s deal,” says Midwest Division Manager Mark Spence. “We embrace it as a culture, because a safe work environment is always a *team effort*.”

Davisco’s Commitment

With signature directness, Jerome Cheese Safety Director Tim Voss states that his job boils down to “making sure that every employee goes home with everything they came with, and it works.” Voss warmly explains that the company is not focused on the bottom

line alone, but on helping employees succeed. “My job is to make sure Davisco Foods is the safest place for people to work. If a paycheck can be collected here or across the street, we want people to choose us because they know they’ll be safe and respected.”

This focus echoes the priorities of Davisco Foods’ owners, who do not line-item a safety budget, but rather invest in whatever is necessary to make sure that people work safely in the production environment. An example of this commitment is fall prevention equipment installed in milk receiving bays. Choosing not to use potentially dangerous ladders built onto milk trucks, the company invested in drop-cage monorail systems that protect and prevent employees and drivers from falling.

“The Davises are very family oriented,” relates Voss. “We buy or do what’s necessary to be safe. I have not had any problem asking for something (that advances safety). All I have to do is tell them why it’s needed.”

Continued on pages 2 & 3

Monorail systems prevent employees and drivers from falling when trucks are in the receiving bay. Here Josh TeKrony preps for unload.



External Standards

Because these priorities permeate the production environment in all Davisco plants, the routines of Occupational Safety and Health Administration (OSHA) standards compliance become almost a matter of course. OSHA, a federal and state agency, develops specific workplace standards and policies to ensure safety and health for American workers. Standards are enforced through documentation and random inspection.

“OSHA looks at things like our confined space programs (for managing restricted spaces), lock-out/tag-out, use of personal protection equipment, management of chemicals, and emergency evacuation plans and drills,” says Darrel Coffelt, manager of safety initiatives in Davisco’s Le Sueur and Nicollet, MN plants. “As a matter of compliance, we make sure we’ve completed and documented all related training and tests for all employees.”

Achieving A Safety Culture

Creating a safe work environment begins with well-planned production spaces, appropriate and well-maintained production equipment, and sound manufacturing practices. It is lived through awareness. Davisco’s state-of-the-art factories were designed with safety as a priority. Manufacturing practices follow suit. Routines such as walk-throughs and self-audits, regular safety committee and safety leadership meetings, postings, new-hire orientation and

mandatory ongoing training sessions anchor awareness and improve the culture. Personal, one-on-one interaction brings awareness home and builds confidence in individuals.

At Davisco, all of these efforts are led by skilled industry veterans Mark Spence (MN & SD), Darrel Coffelt (Le Sueur and Nicollet, MN), Tim Cossette (Lake Norden, SD), and Tim Voss (Jerome, ID). In addition to an array of regular management duties, this group listens, uses day-to-day situations to teach individuals about specific hazards, and coaches growth. Genuine passion for their work and concern for the welfare of people around them are clear as they speak about their experiences, their jobs, and their commitment to practicing what they preach in the realm of safety.

Spence, regarded as a leader who makes a difference by colleagues Coffelt, Cossette and Voss, says a safety culture grows when managers buy into it, when all tend to it constantly, and when individuals avoid allowing themselves to move into auto-pilot mode. Cossette notices how Spence exhibits this awareness. “Mark has a pulse on what we’re doing. I can feel his eyes taking in everything, which I believe is a trait of a good manager. I feel good about where Davisco is going, and I see him as my mentor.”

Together, this group maintains safety standards and keeps them consistent in all Davisco plants. Says Cossette, “Mark Spence continually raises the ‘safety bar.’ He equally is involved with all facilities to keep us focused and on track in reaching our ultimate

Tim Cossette, Lake Norden safety manager, says new employee orientation offers a solid start in safety basics.



Colleagues say Mark Spence, midwest division manager, continually raises the safety bar at Davisco.



goal of having all five Davisco facilities at OSHA VPP status.” OSHA’s Voluntary Protection Program (VPP) officially recognizes the outstanding efforts of employers and employees who have achieved exemplary occupational safety and health.

Formal safety training in all plants begins with new employee orientation that Cossette calls a “formidable, secure start” and Spence describes as “a bit overboard on the front end because we believe so much in the importance of those first days.” New employee orientation is only the beginning. Mandatory annual training, safety committee meetings and monthly plant department meetings are all part of the safety program and include detailed safety information.

Bringing it Home

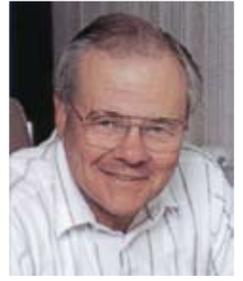
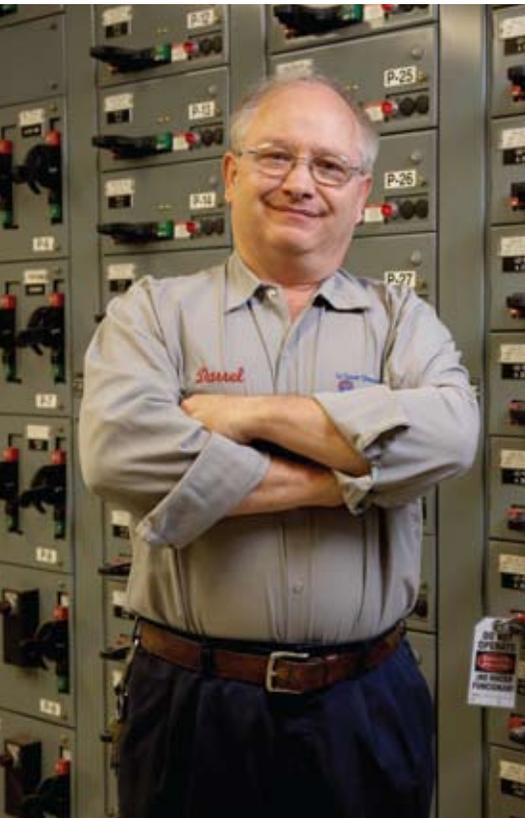
Good safety practices are a matter of awareness and discipline. In the experience of Coffelt, the two biggest challenges to safety are routine and fatigue. Voss adds “convincing people they are not invincible.”

“Turning over that attitude is my work,” he says simply. “If we lived in a perfect world and safety was easy, I wouldn’t have a job. Accidents can and will happen quicker than people believe. I help them see that we need to do things differently and better.”

The task takes vigilance, and when trying to bring the message of safety home to employees, Voss often points to what matters most — their families. He might ask this simple question when making a case for earplugs, for example: “Do you want to hear your children say, ‘Daddy, I love you?’” Like a committed coach, he considers what matters, then brings the message home. Safety, after all, can never be a dictatorship. It is a culture developed by committed, disciplined people who make each other’s well-being a priority. ■

Darrel Coffelt, HR/safety administrator, cites routine and fatigue as the two biggest challenges to safety in the workplace.

Tim Voss, safety director, Jerome, ID; His previous experiences in the safety field have propelled Davisco’s safety programs and drive its safety culture in all the factories.



InFocus
Mark Davis

Every year companies invest millions of dollars in plants and equipment. A large percentage of those investments are directed to ensure a safe workplace for their most important asset, their employees.

At Davisco, we are privileged to have the added benefit of dedicated leaders in our safety department.

Without their considerable efforts to keep safety at the forefront of employee awareness, the money originally spent on safety would be ineffective.

In modern, high speed, large-capacity production facilities, employees can sometimes be distracted by their production responsibilities; the folks featured in this Daviscope are dedicated to see that distraction doesn't take place.

They do an outstanding job!

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DAVISCO FOODS INTERNATIONAL, INC.
QUARTERLY NEWSLETTER
FALL 2007 VOLUME 14 NUMBER 2

John Velgersdyk: Editor
ENVISION: Design that Works, Inc.: Publisher

DAVISCOPE, a newsletter for employees, their families, milk producers and customers, is published quarterly by **Davisco Foods International, Inc.**
704 North Main Street, Le Sueur, Minnesota 56058.

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Le Sueur, Minnesota



Producer Update

Newalta Dairy Finds Opportunities in Relocation

John and Berlinda Vander Wal are enjoying managing their new dairy facility, which has been up and running since November 2006. The Vander Wals named their 700-cow operation, located south of Pipestone, MN, "Newalta Dairy L.L.C." They relocated from Alberta, Canada, so "Alta" is short for Alberta. "Wal" is from their last name. "New" is obvious.

They chose to sell their 200 registered Holsteins and their milk quota from the Canadian Supply Management Program and move to the U.S. to pursue opportunities of the free enterprise system. Shipping milk to Davisco's Le Sueur Cheese Plant interested the Vander Wals because of the freedom to not pay membership and other fees and the prospect of receiving a fair price for Newalta's milk.

In Canada, the "Quota System" controls the amount of milk a producer can sell to guarantee a steady supply of milk products for the country and a constant price for the producer. The Vander Wals had dairied in Canada since 1989 when they emigrated there from the Netherlands where John had dairied with his parents.

Pipestone was a good fit for their family of five children, with the availability for Christian schools and churches of the Christian Reformed faith. They moved in August 2005 and began to dig the manure lagoon that fall.

John is the overall manager of the dairy and specifically handles feeding, herd health and vaccinations. Berlinda does bookwork, fills in as needed and takes care of the family. Seven full-time employees complete the dairy's workforce; five of whom milk cows. Herdsman Ramon Salazar is the calf feeder, breeds cows and trims feet. Herdsman Loren De Kam milks, beds, moves cows and updates Dairy Comp 305.

The oldest Vander Wal children, Jenn, 16 and Alisha, 14, milk on weekends. Bernice, 13, Amy Jo, 10 and Ian, 7, help as needed. The children are also involved in 4-H showing and judging.

Designed Dairy Themselves

John was the project manager for the new dairy, which the Vander Wals planned and designed themselves. The layout of the cow facilities could be expanded for a 2,200-cow total capacity, a process the couple hopes to start this fall, with a 400-cow addition.

Depending on debt retirement progress, they also plan to build a home at the dairy next year.

The present facilities include a double-20 parallel parlor and offices, an open-sided free-stall building, special needs building, including bedded packs for hospital and fresh cow groups, two hoop calf barns to raise 108 calves, commodity shed with a roofed mixing area, hay shed, shop and a concrete slab for storing silage.

Cows are milked in shifts three times a day at a rate of about 150 an hour. Cows are averaging 80 lbs. of milk per day. Most are 2-year-olds, which John purchased as heifers for the dairy's start-up last fall. They milked 300 at start-up and have grown to 700.

Milk is pumped directly into tankers parked outside the building and are picked up every 26 hours and hauled to Le Sueur, MN.

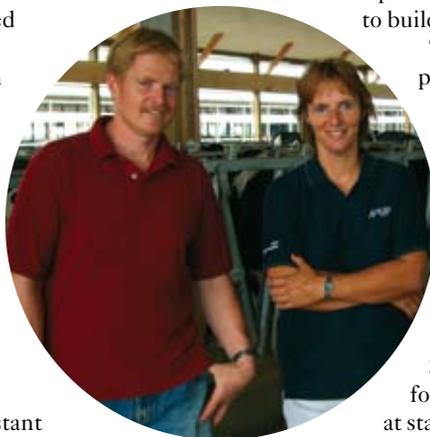
Cows lay on mattresses and organic bedding. Manure is scraped into a center pit, then carried away by a flume system and pumped to the lagoon by a Houle continuous pump.

Local Business Relationships Important

Newalta purchases corn silage from neighbors and shares costs of hauling manure back onto crop ground. Three neighboring dairies milked 300 Newalta heifers when the dairy was being completed. Heifers, as well as one herd of cows, were purchased from others in the Midwest. Feed and other services such as custom heifer raising for the dairy are purchased locally.

The Vander Wals are glad to be a part of the southwestern Minnesota agricultural community. They strive to "run a clean ship and make a good first impression," John says.

"We want to treat everyone fairly and give back something to the community," say John and Berlinda. Newalta is a positive part of the community and a pleasant place for those affiliated with it. ■



Feeding Strategies Can Improve Milk Components

Feeding management practices on the dairy farm can have a major impact on the levels of milk fat and protein concentration in milk. That, in turn, impacts the value of the milk for cheese making and is reflected in the milk payments that are based on cheese yield.

Producers are paid for both butterfat and protein content in milk. If these components decline, attention is first turned towards nutrition and feeding management. Low components can be due to:

- Inadequate energy in the diet, particularly forage quantity, quality and balance
- Not enough feed being provided to the cows at the bunk, or
- An imbalance of carbohydrate fractions.

Monitor Components, Forage Quality

Carefully formulated rations can optimize both milk yield and components. Use the creamery reports to monitor components routinely and to quickly address reductions that may occur in either fat or protein.

Forage quality can severely impact the amount of energy in a ration. Improving and maintaining high quality forage is the key to developing sound ration programs. How the dairy cow utilizes ensiled forages is influenced by growing environment, cutting date, moisture content, and management practices at harvest, storage and feed-out (further impacted by mycotoxins and spoilage problems).

It's a good idea to test forages when they are being harvested and during feeding. Also consider having your testing lab measure forage digestibility. The test results can provide additional information that might shed light on whether lowered milk fat is due to highly fermentable carbohydrates in the ration or inadequate energy provided to the cows stemming from low forage quality.

The impact of nutrition and nutritional changes in the ration can readily alter fat and milk protein concentrations. Fat concentration is the most sensitive to dietary changes and can vary over a wide range.

Nutritional strategies optimizing rumen function also maximize milk production and milk components. These strategies include combining adequate rumen degradable and undegradable protein, assuring adequate amino acid balance, and adequate pounds of forage neutral detergent fiber (NDF) in the diet, especially for early lactation cows.

Nutritional Influences on Milk Protein

Milk protein in the mammary gland is synthesized mainly from amino acids in blood. Protein production is usually limited by the amino acid that is in shortest supply in relation to the cow's requirement. Energy, either from glucose or acetate, can also limit milk protein synthesis.

The first step to take in increasing milk protein is to take care of the rumen microbes. Microbial amino acids are easily converted into milk protein by the cow. Provide cows with highly digestible forages, maximize dry matter intake, avoid sub-clinical acidosis, provide adequate amounts of soluble and degradable protein, and synchronize rumen-available carbohydrates and proteins.

The blend of amino acids in the rumen undegradable protein will impact milk protein production. Animal proteins provide an amino acid package more similar to milk than corn and soy proteins. Individual bypass amino acids are now being incorporated into feeds. Cows also need energy for maintaining milk protein production.

Nutritional Influences on Milk Fat

There are a variety of strategies to increase the percentage of fat in milk when it drops:

1. Increase the particle length of the ration because it may be physically and biologically too fine.
2. Increase the NDF portion of the forage.
3. Decrease the amount of corn grain or starch fed in the ration.
4. Provide chemical buffers, such as sodium bicarbonate or magnesium oxide in the ration. This will help to buffer the rumen, allowing microbes to produce more acetic acid.

Many non-nutritional factors can also affect milk components such as genetics and environment, level of milk production, stage of lactation, disease, season, cow comfort, facilities and age of the cow.

Be certain to work closely with your nutritionist to respond to changes in milk components. Feeding cows is a complex system. Avoid making "off the cuff" single changes without considering the impact of all components of your feeding program. ■

Source: "Managing Nutrition for Optimal Milk Components," a paper presented at 2007 Western Dairy Management Conference, by Gabriella A. Varga and Virginia A. Ishler, Pennsylvania State University.

Working Smart

Technically Speaking

More on Boosting Milk Fat and Protein with Nutrition

For more information on how cow nutrition influences milk components, visit these websites:

- **Feeding for Milk Components and Profit**
www.ag.ndsu.edu/pubs/ansci/dairy/as1118.pdf
- **Managing Nutrition for Optimal Milk Components**
www.wdmc.org/2007/Varga.pdf
- **Managing Milk Composition: Maximizing Rumen Function**
www.cahe.nmsu.edu/pubs/_d/d-105.pdf
- **Milk Components: Understanding the Causes and Importance of Milk Fat and Protein Variation in Your Dairy Herd**
www.das.psu.edu/dairynutrition/documents/milkcomp0597.pdf



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.



Davisco cheese plant employees accepting Championship Cheese Contest awards are (left to right): Roger Schroeder (Le Sueur), Ivan Beck, (for Todd Pennings, Lake Norden) and Dale Ross, (for Vic Martin, Jerome).

Monterey Jack, Colby-Monterey Jack and Mozzarella win awards

The U.S. Championship Cheese Contest is sponsored by the Wisconsin Cheesemakers Association every other year. This year Davisco-made cheeses won awards in three separate categories. The Monterey Jack was made by the Jerome Cheese plant, the Colby-Monterey Jack was made at Le Sueur and the Mozzarella, LMPs Part Skim was made at Lake Norden. Over 1,100 cheeses from 26 states were entered.

“Every pound of cheese we make at Davisco should be of No. 1 quality,” says Vic Martin, cheese production manager at Davisco’s Jerome Cheese Company “The winning cheese was from a batch of cheese that was made for a customer,” he says.

“Winning this is a big honor. It directly reflects on the quality of milk coming in off the farm,” says Roger Schroeder, Le Sueur Cheese production manager.

“If it weren’t for all of the employees ensuring that they are making a quality product we would not have won the award,” adds Todd Pennings, Lake Norden plant manager.

Davisco Honored with Industry Awards

Davisco Foods International, Inc. was honored recently with an industry award that recognizes companies demonstrating outstanding achievement in political involvement and grassroots action. International Dairy Foods Association (IDFA), Washington, D.C., awarded its GRAND Pioneer Award to Davisco in spring 2007. Davisco was chosen as one of three winners from the 530 IDFA member companies.

Davisco won the award for its political involvement by effectively communicating with legislators and writing op-ed pieces on the Farm Bill, forward contracting and dairy reform. As a major part of its grassroots strategy, Davisco creates opportunities for employees to interact with local, state and federal lawmakers through plant and facility tours.

Jay Headley Fishing Tournament Combines Fun, Fellowship

Take a beautiful summer day, a glistening lake and multiple two-person teams fishing for walleye and what do you get? The fun of participating in the annual Jay Headley Fishing Tournament held on Lake Poinsett, SD.

The fifth annual tournament was held the second weekend in June 2007. The contest is promoted within Davisco in memory of Jay Headley, who was the lactose and quality manager at Lake Norden Food Ingredients Company. “Jay was an avid outdoorsman and loved to hunt and fish. The two of us had started a Davisco walleye tournament a couple of years before the accident and I just decided to keep the tradition going after his death in remembrance of him,” says Jay Baldwin, Lake Norden whey plant manager .

Jay’s father, Jim Headley, enjoys attending the event and is the official weigher. The tournament costs \$25 per team, with \$150 going to the winning team. The remainder of the money goes to a local bank scholarship fund for Headley’s two children, Jack and Sydney.



Jim Headley, Jay’s father, (middle) with Troy and Bob Anderson, 2007 winners of the Jay Headley Fishing Tournament.

Mike Noethlich caught the largest walleye; it weighed 9 lbs. 10 ounces.