

Mark Davis, Davisco president and CEO, and Mr. Li Hui, mayor of Anda, Guizhou Province, China exchanging gifts.



## Awards

### Lake Norden Cheeses Win in World Championship Contest

Davisco's Lake Norden Cheese Co. is known for making cheese of an award-winning caliber. To prove the point, they secured three medals this past spring in the biennial World Championship Cheese Contest held in Madison, Wis.

Team Lake Norden, the name under which the cheeses were entered, won a second place silver medal for whole-milk mozzarella, with a score of 97.10 out of 100; and two third-place bronze medals, one for part-skim mozzarella and one for mild provolone.

Sponsored by the Wisconsin Cheese Makers Association, the contest was the largest international cheese competition ever held. More than 1,941 entries from 19 countries were entered in 79 separate classes.

"The entries have grown worldwide over the years," says Troy Ammann, Davisco director of cheese operations. Points between first and third place in the mild provolone category differed by a mere 0.10, he added. Team Lake Norden's provolone earned 99.30.

To ensure fairness, the contest paired foreign judges with domestic ones. The cheeses were judged on product quality, including appearance, texture and taste.

Look for the silver and bronze medals to be proudly displayed in the Lake Norden plant's reception area — an indicator of the entire company's focus on quality.



Ivan Beck accepts awards for cheeses made by Team Lake Norden at the World Championship Cheese Contest awards banquet.

## Winners!

### Jerome's Winning Team at Charity Golf Tournament

A team from Jerome Cheese Company swung their way to victory in this year's Glanbia Foods Charity Golf Tournament. It was the first time that the team captained by Mark Davis, Davisco Foods CEO, won the event. Team members included Mark Davis, Scott Giltner, Steve Wybenga, Tim Jensen, John Schilder, and the Glanbia host John Lanigan. The tournament, with more than 30 teams taking part, was held August 18 at Blue Lakes Country Club in Twin Falls, Idaho.

"This is a charity tournament that has been going on for 15 years and has raised a lot of money for local Magic Valley charities," says Jon Davis, Davisco's general manager of operations, who captained a second Jerome Cheese team. Jon's team won the event in 2005. "It's a great event and most of the companies in the industry are represented," he says. Glanbia Foods is a business competitor that hosted the event.



Mark Davis's winning team at this year's tournament.

# Daviscope



Winter 2008 Volume 14 Number 2  
Davisco Foods International, Inc. Quarterly Newsletter

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Every product made at Davisco is now available for export. "Today's market is a global market," says Dave Curta, the company's international sales manager.

Demand for dairy products is booming worldwide. During 2007, the value of United States dairy exports reached a record \$3.06 billion, a 62 percent increase from 2006, reports the U.S. Dairy Export Council (USDEC). The total value of exports in the first six months of 2008 is \$2.14 billion, a 74 percent increase over the same period in 2007, according to USDEC Summary of Exports.<sup>ii</sup>

Davisco's presence on the international scene began 30 years ago when Mark Davis, CEO of Davisco Foods International, entered and began supplying markets in Japan. Japanese buyers have very high standards, Davis says, which gave Davisco a better position to sell globally.

Polly Olson has been Davisco's vice president of new business, sales and marketing for 13 years. She and her staff have been growing the foreign marketing presence for Davisco by leaps and bounds. To date, Davisco has marketed its products in 47 different countries.

By volume 70 percent of what is manufactured in Davisco's food ingredient division today is sold on the global market, Olson says. And more than 50 percent of dollar sales of dry ingredient products made by the company are exported.

"Sales depend on quality," Olson continued. "Our quality and safety are so good that our products are sought after the world over."



### Davisco Cheese Enters Global Marketplace

Cheese is Davisco's newest entrant in the global marketplace. The first shipment of cheese went overseas in August 2007 to Australia through Davisco's largest customer, Kraft USA, says Troy Ammann, Davisco director of cheese operations.

The USDEC reports that "bolstered by rising incomes and a move toward Westernized diets (not to mention international foodservice expansion and the development of a more modern retail supply chain), cheese consumption is rising in developing nations." USDEC also states that "In 2007, cheese exports were a \$387 million business — a gain of 58 percent over 2006."<sup>iii</sup>

"The palate of the international consumer is changing to include cheese as a more integral part of their life," says Jon Davis, Davisco's general manager of operations. "The per capita consumption of cheese in China, Korea and Vietnam is currently a fraction of what our per capita consumption is here in the U.S., so even minimal gains in that consumption is a tremendous opportunity for Davisco."

Other markets for Davisco's cheddar, Monterey Jack and mozzarella cheeses are Canada, Mexico, Europe, Bahrain, South Korea, the Philippines, Indonesia and several North African nations.

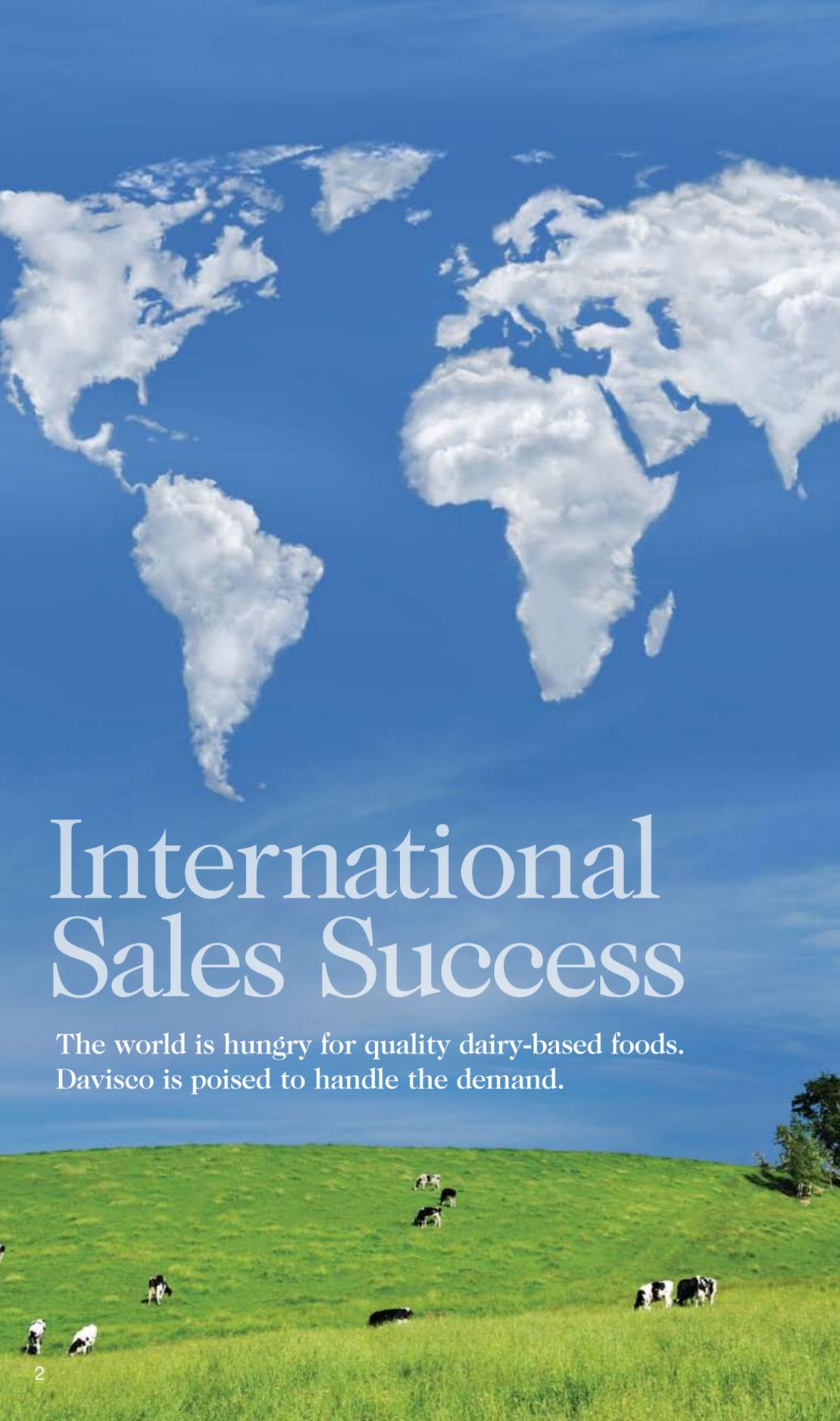
### Unprecedented Demand

"Robust economies in China, India, Indonesia, Mexico, the Middle East and Russia, some powered by oil prices, some by industry, some by trade, fueled the shift to diets higher in protein, including dairy," says USDEC. "Chinese fluid drinking milk consumption, for example, has grown 21 percent annually since 2000 — incremental consumption equal to an entire year's milk production in Wisconsin."<sup>iv</sup>

"China's potential for growth is massive," says Curta. "The country still has very low consumption of dairy foods. Yogurt and milk [consumption] is increasing; if it's available, they will consume it," Curta says.

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# International Sales Success

The world is hungry for quality dairy-based foods. Davisco is poised to handle the demand.



Left: Davisco and Chinese customer Beingmate (located in Anda, Guizhou Province) pose for a group shot in St. Peter, Minn., near Davisco headquarters.

Top: BiPro®, a healthy ingredient produced by Davisco, is found in baby formula and other products.

Bottom: Developing international sales for Davisco are: Polly Olson, vice president of new business, sales and marketing; Diego Pineda, sales manager for Latin America; and David Curta, international sales manager.



Lois Baker, Davisco applications manager, and Justin DeGriselles, Davisco national sales manager, enjoy a Starbucks drink containing BiPro.®

## Daviscope

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### Focus on High-End Markets

Davisco's marketing niche is to sell to companies that are able to afford premium ingredients to develop new or improved products. "The goal is to sell to those on the high end of the market segment – to help them to achieve the best sports drink product, infant formula, or functional food industry product they can. Prices are secondary for those customers," Curta says. "We give them an opportunity to make something no one else can. They are able to use our ingredients to set themselves apart from competitors."

"Our production process for BiPro® gives us such a unique product; and it has health ramifications," says Curta. Infant formula containing BiPro, for instance, has a better amino acid profile than competitor's products. Other key marketing attributes adding to BiPro's reputation in foreign markets are consistency, purity, and the experience and expertise Davisco has in manufacturing a large volume of product, he explains.

### Establishing Foreign Offices

To tap various markets, Davisco has established sales offices in key regions, staffing them with local people who understand the culture and selling climate. "We were the first U.S. dairy manufacturer to put offices in Mexico and Europe, and we are still unique in that mindset," says Curta.

Offices in Mexico City, Geneva and Shanghai are presently doing business. Brazil, Colombia and Chile receive products through local distribution channels and with local customer service. A food-grade warehouse in Holland aids in moving product to customers quickly and efficiently. Other countries that Davisco products are sold in include Venezuela, Peru, Paraguay, Costa Rica, Guatemala and El Salvador.

"Davisco's focus is on getting in front of customers and developing key markets. We visit companies and get to know their research and development people," says Curta.

Diego Pineda understands the culture of his customers. He is Davisco's sales manager for Latin America, based in Mexico City. "I provide local customers with a local contact," Pineda explains. "They want the product delivered to their door when they want it, and with an invoice in local currency."

Pineda interacts with both customers and Davisco departments. "I can respond to customers quickly and

with satisfaction because Davisco has the tools and systems in place," says Pineda, who has been with the company since 2004.

"Diego is phenomenal at sales on the ground. He visits people face-to-face, even in this [computer-driven] world," explains Olson. "The philosophy of our staff and office is to know your customer and what they need and provide them with service."

### Customer Service Addresses Challenges

Technical support from Davisco's logistics department is imperative to selling globally. Personnel in Davisco's Eden Prairie, Minn., sales office make sure shipping documents, letters of credit and any unusual document requests are handled accurately and that payments are made. Bioterrorism threats require checking things "hundreds of times," Olson says.

### Fittest, Most Adaptable Survive

Historically, high prices for oil, which drive production and manufacturing costs for dairy ingredients higher, mean more fluctuation and volatility in foreign markets, Curta says.

"This is changing the playing field. All we can say is that it's a new industry and market, and there are more opportunities for suppliers that are lean, efficient and able to adapt to new markets and demands," Curta explains.

Davisco's early entry into the global marketplace, buoyed by aggressive local sales people, dedicated support staff, and a can-do attitude will make adapting to uncertainty easier.

"Globalization is definitely a reality. It has taken hold and affects everyone," says Curta. "We are competing against companies all over the world; and if you are the fittest and the most flexible, you can change and adapt more quickly."

<sup>1</sup>"Answering the Call of Global Demand," *Export Profile*, USDEC, May 2008, p.1.

<sup>2</sup>*Summary of Exports*, USDEC, 2008 year-to-date.

<sup>3</sup>"Getting Serious About Cheese and Butter," *Export Profile*, USDEC, May 2008, p.4.

<sup>4</sup>"Answering the Call of Global Demand," *Export Profile*, USDEC, May 2008, p.1.

## News

### BiPro® added to Starbucks Smoothies

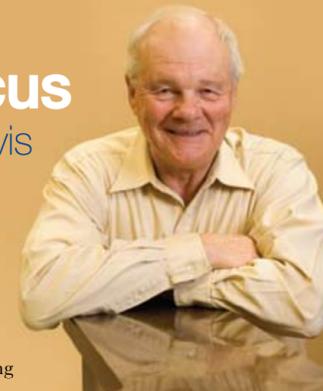
Starbucks recently launched two new smoothies made with Davisco Foods BiPro whey protein isolate. The two flavors, orange mango banana and chocolate banana, contain over 15 grams of Davisco protein per drink, according to Justin DeGriselles, North American sales manager, Davisco Foods International. Called "Vivanno™ Nourishing Blends," the drinks will be available at Starbucks coffee shops worldwide.

DeGriselles, who manages several of Davisco's multinational accounts, started calling on Starbucks about four years ago. His diligent efforts paid off. After DeGriselles made numerous presentations to explain who Davisco is and how its ingredients could work for Starbucks, and after many prototypes within Davisco's applications department were developed, Starbucks decided to use the protein in its smoothies.

"The new drinks fit with Starbucks' management goal to move into healthier beverage offerings. Each smoothie is made with a whole banana, all natural juice, 2% milk, ice and proprietary whey protein and fiber powder. They contain about 250 calories per drink. "I encourage you to stop by a Starbucks, try a smoothie and let me know what you think," says DeGriselles.

Beyond the benefit to Davisco in higher BiPro sales, having a national and global company such as Starbucks promote whey protein on their product label is good for the food industry to see, says Polly Olson, Davisco vice president of new business, sales and marketing. "Justin's hard work on this account is demonstrated by the new product's success and the great business opportunity with Starbucks," says Olson. "It happened because of the attention to detail Justin devoted to this account."

## InFocus Mark Davis



It remains to be seen as to how long current economic difficulties will distort the worldwide marketplace for Dairy products.

But, given the exposure of U.S. Dairy products and Dairy ingredients to customers all over the globe, during the record years of 2007 and 2008, we can be confident that there is a major role for the U.S. Dairy Industry in export markets.

At Davisco, we believe that while the economic conditions that make those records sales possible will ebb and flow, the quality, functionality and long term economic competitiveness of the U.S. Dairy Industry will "carry the day", ensuring a new and growing outlet for our Industry's many nutritious products.

At Davisco we will use this "period of adjustment" to cement new relationships, discuss future product supply and explore the types of service we can provide to new markets.

The future is bright, and, the World market deserves our attention.