



DAVISSCOPE

DAVISCO FOODS INTERNATIONAL, INC. ■ QUARTERLY NEWSLETTER

New Dairy to be State of The Art Veterinary Teaching Facility

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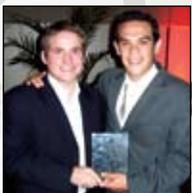
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Imagine a world-class commercial dairy facility combined with a continuing education, demonstration and research center for veterinary students and dairy professionals in the center of one of the most productive agricultural counties in Minnesota. That's what is planned, according to the announcement made in September 2007 by Davis Family Dairies LLC (DFD) and the University of Minnesota College of Veterinary Medicine (CVM).

The new dairy is scheduled to be up and running as early as the fall of 2008. The location is 15 miles northwest of St. Peter in New Sweden Township in Nicollet County.

This new state-of-the art dairy facility will focus on four areas, according to Dr. John Fetrow, University of Minnesota CVM professor of veterinary population medicine and Mitch Davis, general manager of DFD.

The facility will be a commercially viable operation used to:

1. educate veterinary students in a commercial dairy environment;
2. conduct research in cow health and management, including emerging practices and products research under a controlled but commercial setting;
3. provide outreach and continuing education opportunities for dairy veterinarians, dairy professionals, extension educators and others in the dairy industry;
4. be a public demonstration site for modern, high-quality dairy production processes where groups such as producers, international guests and elementary students can view the dairy by appointment.

"The Davis family and everyone associated with

Continued on pages 2 & 3



Dr. John Fetrow, professor of veterinary population medicine, University of Minnesota College of Veterinary Medicine, stands on the future site of the New Sweden Dairy. The dairy is expected to be complete in late fall of 2008.

Davis Family Dairies are excited and flattered by the opportunity to work with the University of Minnesota College of Veterinary Medicine to help further the experience and knowledge base of the dairy industry in Minnesota and across the United States,” says Mark Davis, CEO of Davisco Foods.

“This facility is an opportunity to take the next step forward and work with a company that takes the product all the way through to manufacturing,” says Fetrow, who has known Mark Davis for 15 years and approached the Davis family with the idea about a year ago. “The University is very excited and appreciates having the Davis Family Dairies as a partner in this endeavor.”

The new dairy facility will house more than 4,000 animals and employ more than 30 people. It will serve as a birthing site for more than 6,000 calves per year, milking facilities for 3,000 cows on site and provide management support to another 3,000 cows housed at DFD’s existing Northern Plains Dairy LLP.

Northern Plains began operation in 2003 as a partnership between DFD and the Dave Mogensen family. It is located a few miles west of St. Peter off Highway 99.

A Boost to Dairy Infrastructure

The impact of 6,000 cows milking and the associated young stock in the DFD’s system “will help us to learn more about managing very large numbers of animals; it will contribute to the cow and milk base in the state of Minnesota, helping to maintain the viability of the dairy infrastructure. New Sweden Dairy will serve our mission to expand

milk production in Minnesota and will provide more resources for our producers,” explains Mitch Davis.

The project will cost in excess of \$20 million, and will purchase more than \$200,000 in feed each month from local farmers and sell nutrients for fertilizing more than 2,000 acres each year to local farmers as well. Bull calves will be sold and heifers will stay on site for two months before being sent to other facilities where they will be contract-raised.

DFD will fund and own the New Sweden site facilities, while the CVM will contribute toward the tools specifically used for academic functions. “The beauty of this operation is that private investment will pay for it and the University will invest in the academic components,” says Mitch.

“Our students and faculty will both benefit greatly from the opportunity to learn and teach in a large, well-run Minnesota dairy. We are convinced that the quality of our graduates will be significantly enhanced by our relationship with Davis Family Dairies,” says Trevor R. Ames, Interim Dean of the CVM.

The CVM now has a VetFAST early admission program to accelerate graduating large animal veterinarians, with 12 new students enrolled this year. Students who have the skill and desire to work in animal agriculture can enroll in veterinary school early and complete their bachelor’s degree while completing their DVM education, Ames explains. Having a facility where they can learn and hone their dairy-related skills is important.

The academic part of the dairy will include dormitory facilities. Students will stay at the dairy for a “rotation” period of two weeks



When complete in late fall of 2008, calving for both Northern Plains and New Sweden dairies will be handled at this New Sweden site. The feed center seen above will be expanded. The employees who currently work at the Davis Family Dairies calving facility will have similar or expanded roles at the newly constructed New Sweden Dairy. Approximately 30 people will be employed at the new site to handle day-to-day tasks involved with calving 6,000 cows and milking 3,000 cows annually.

where they are exposed to routine diseases, treatments and management tasks that occur on a large dairy.

“There is a lot of important research that can happen on this commercial dairy,” says Ames. Continuing education in a classroom a few steps away from a barn of 3,000 cows will be invaluable for veterinarians and dairy professionals, he explains. The experience will also help the college’s faculty to show students the realities of implementing health and management strategies on a commercial dairy and give them perspective on what it takes to get the job done.

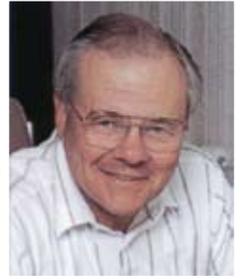
Exposure to the Process

“It makes sense for this to become a national educational facility,” says Ames. The facility will allow students to not only handle young stock, but also focus on the entire dry/calving/lactating cycle. Through the affiliation, DFD will gain access to expertise from the veterinary college. They will also be in on the ground level of growing the site into a regional or national educational facility.

The University of Minnesota's CVM leads the nation in food safety expertise, says Ames. The college has the largest combined DVM/Masters of Public Health degree program in the nation. Hence there is a natural tie-in with the products manufactured by Davisco Foods and Davis Family Dairies in the food safety and public health areas.

Students obtaining experience at the New Sweden Dairy may also gain exposure to the processing end of the industry because Davisco takes the product all the way through manufacturing. “This may open doors for food safety and how to keep products safe pre- and post-harvest,” says Ames.

“We are thrilled with this opportunity. We look forward to the positive things that will come out of these partnerships.” ■



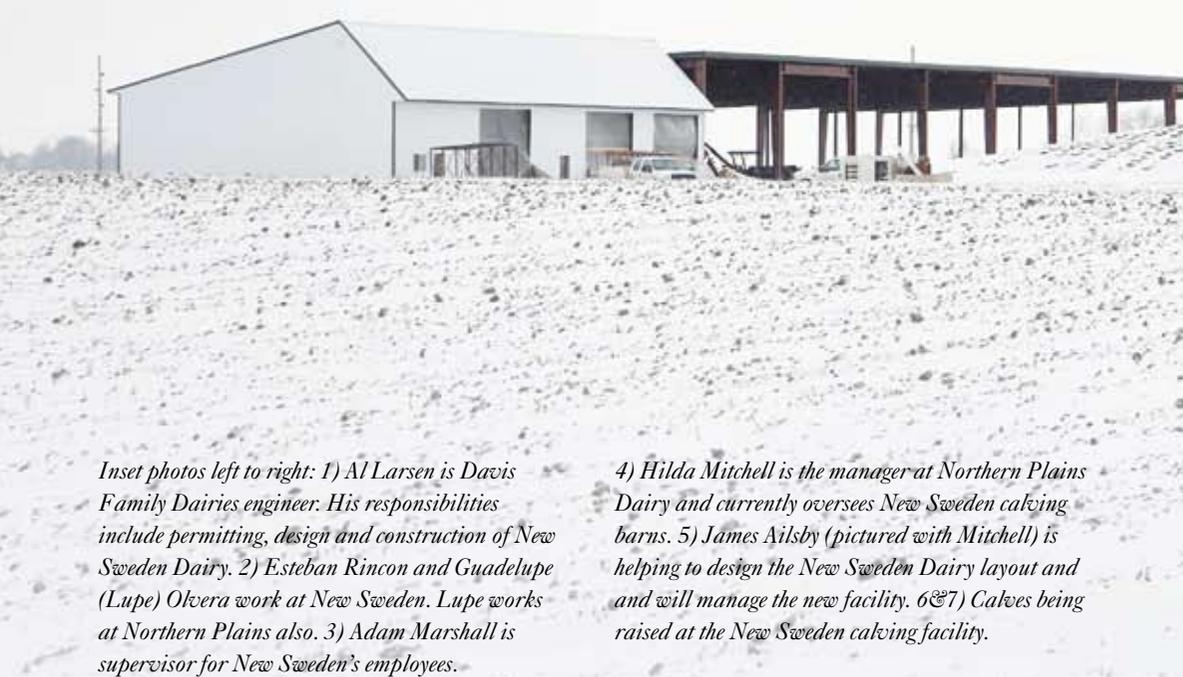
InFocus
Mark Davis

In this issue, I'd like to recognize a man and position that are integral to the functioning of any successful company, but more often than not, relatively hidden from the spotlight of public recognition.

Davisco couldn't be more proud of our very capable and effective CFO, Jim Ward. For 20 years, Jim's efforts and accomplishments have contributed immeasurably to the growth of Davisco. We offer congratulations on the recent honor. Thank you, Jim, for 20 years of considerable and much appreciated effort.

Our lead story this month is an example of the many opportunities Jim Ward and his Davisco associates study and evaluate throughout the course of our business life. The new dairy is a cooperation between the public and private sector to educate, facilitate and innovate. This joint effort will contribute to an expanding Minnesota livestock and dairy production sector, resulting in sustainable, rural economic development.

And, finally, congratulations and welcome to our new fellow citizen, Stephan Bellanger.



Inset photos left to right: 1) Al Larsen is Davis Family Dairies engineer. His responsibilities include permitting, design and construction of New Sweden Dairy. 2) Esteban Rincon and Guadalupe (Lupe) Olvera work at New Sweden. Lupe works at Northern Plains also. 3) Adam Marshall is supervisor for New Sweden's employees.

4) Hilda Mitchell is the manager at Northern Plains Dairy and currently oversees New Sweden calving barns. 5) James Ailsby (pictured with Mitchell) is helping to design the New Sweden Dairy layout and will manage the new facility. 6&7) Calves being raised at the New Sweden calving facility.

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Producer Update

Hoefs Dairy Builds Solid Position for Future

From Montgomery, Minn., the Hoefs family has obvious staying power! Since 1979, James and Donna Hoefs have farmed the same land as Jim's ancestors, whom homesteaded it in 1861. Their short-term goal is to reach the farm's 150th anniversary in 2011.

When it became apparent that James and Donna's sons James (Jimmy) and Jason wanted to be a part of the operation, the family began to make plans to successfully expand their dairy to pass it onto the next generation. Jimmy joined the operation after obtaining an agricultural economics degree at the University of Minnesota and Jason joined immediately after finishing high school. A third brother, Joel, is in high school and interested in the dairy. Two daughters, Jill and Julie, are students at the University of Minnesota.

Everyone plays a part. James cares for steers and heifers and does repairs. Donna handles calf chores from birth to seven months of age and maintains the financial records. Jimmy does herdsman-related duties such as vaccinating, breeding, and entering cow data on clipboards and into the Scout™ computer program. He scrapes the barn during chores. Jason handles milking, scraping and crop work. Joel mixes the ration and helps with fieldwork. Jill, Julie, Emily and Lisa milk as needed.

Before expansion, the Hoefs' 56-cow tie-stall barn was used to milk 86 cows, turning 30 cows out of the barn and moving an additional 30 cows in for milking. This took place while the free-stall barn and parlor were built during the summer of 2001, in use by that fall. The Hoefs bought 100 heifers to fill the new 176-stall milking cow barn.

The Hoefs currently have 200 milking and dry cows. Milk quality is excellent with a somatic cell count of 150,000 or less. The herd has a 23,500 lb. rolling herd average. All bull calves are raised on the farm and fed out as steers. Excess heifers are raised and sold as extra income.

Prior to building, the Hoefs toured several Midwest dairies for ideas. They modeled their double-8 herringbone Boumatic parlor, built by Lester Building Systems LLC, after another Minnesota dairy. They implemented ideas such as concrete-filled fiberglass posts in the holding area. The posts won't

corrode and they "give" when bumped into with the skid steer, points out Jason. Rubber mats prevent cows from slipping in the holding pen and in the early-lactation half of the free-stall barn.

Besides the free-stall barn built onto the parlor, the Hoefs have added a separate 50-stall/40-headlock barn for dry cows and pre-fresh heifers where they feed a separate ration. This barn has open sides with an agricultural lime surface that makes it easy for the heifers to adjust to group living. New heifers are put into the barn two months before they calve. The barn has plenty of room for a hoof trimming and vaccinations.

Typical on many dairies, the Hoefs make management decisions while sitting around their kitchen table. The table has added more members with Jimmy's wife, Lisa and their children, Alexis, 2, and newborn daughter, Caleigh. Jason and Emily married in 2006. Both daughter-in-laws have dairy-related backgrounds, but have chosen full-time off-farm careers at this time.

The Hoefs near-term plans are to fine-tune current operations. A sprinkler system put into the lactation barn this summer paid for itself, helping cows maintain milk production during several hot-temperature weeks. A palpation rail in the holding pen has helped save time and effort during herd health procedures. They also work together to crop 518 acres of owned and 205 acres of rented land.

Focusing on cow management has big payoffs, the Hoefs believe. They'll work closely with their nutritionist to monitor feed changes and the disease or health issues that may result from extremely dry growing conditions for their crops this past season.

The family switched shipping their milk from another plant a year ago to gain market security. "We've been treated well by Le Sueur Cheese," says Jimmy.

It seems Hoefs' Dairy has a solid, well-positioned future to make it another 150 years! ■



The Hoefs family (left to right): Julie, Jimmy, Lisa (children, Alexis and Caleigh), James, Donna, Jason, Emily, Jill and Joel.



Calf Care Methods Matter

Seek out improved methods for calf care to make strides in health and growth.

Just when you thought you knew everything about taking care of baby calves, new calf-raising recommendations are gaining popularity. A calf manager's job is to decide which recommendations bring economic gain and accomplish the dairy's goals.

Before deciding to make major changes in your calf-raising program, consult advisors such as your veterinarian and nutritionist. Raising the bar in calf care should have meaningful economic incentives, such as reducing the age of heifers that enter the milking herd.

Maximize Immunity

Raising healthy calves depends on maximizing the calf's level of immunity against disease while minimizing its exposure to infectious agents, says Sandra Godden, DVM, DVSc, University of Minnesota. Improving a calf's disease resistance requires proper colostrum management, minimal environmental stress, a high plane of nutrition and strong vaccination program.

Minimizing the risk of exposure to infectious agents requires excellent environmental management, good housing, sanitation and control of potential disease carriers such as people, animals and equipment. Producers should work with a herd veterinarian to design a calf health management program including sound colostrum management and vaccination programs, and protocols for handling newborn calves. The program should also include daily monitoring of calves to detect disease and make treatment decisions. (A paper written by Dr. Godden includes the details of these topics and sample protocols for calf care. They are available at the website listed below.)

Calf hood diseases have a significant financial impact on dairies.

The costs associated with calf hood diseases include treatment costs, replacement costs, genetic loss and impaired future performance, says Godden. Studies have found that chronic diseases such as pneumonia have a negative impact on growth rates in calves and can decrease a heifer's likelihood of surviving until calving.

Many tools and management aids have been developed for use by calf raisers. A chart developed by clinical researchers at the University of Wisconsin-Madison can be used to score calves' respiratory health. The goal of using this chart is to catch problems early before calves become seriously ill. The chart shows signs of illness and uses scoring criteria to determine when to treat for disease. Body temperature, nasal discharge, eyes and ears, and ability to elicit a cough are the four areas evaluated. A score of zero to four is assigned to each area based on defined criteria. A calf with a total score of four or less should be monitored for potential problems, whereas an animal with a score of five or more requires appropriate treatment. Treatment protocols should be developed with your herd veterinarian.

We have discussed only a few tools for better calf care. In addition, review some of the information available on calf care found on the internet (below) or attend a producer meeting where calf management is discussed. ■

Working Smart

Calf Care Information Sources

- www.cvm.umn.edu/dairy/resources/Heifers.html for Sandra Godden's calf health protocols and paper.
- www.vetmed.wisc.edu/dms/fapm/fapmtools/8calf/calf_health_scoring_chart.pdf for "Calf Health Scoring Chart."
- www.extension.org/pages/Calf_and_Heifer_Management
- www.das.psu.edu/dairynutrition and you will find many options on calf and heifer nutrition.
- www.extension.umn.edu/dairy/management/calves.htm for calf-raising articles.
- www.calfnotes.com for Jim Quigley and Sam Leadley's fact sheets.

Also, the 2003 *Raising Dairy Replacements* book has 13 chapters of solid, easy-to-read information on everything concerning the care, feeding, housing and economics of raising calves and heifers. Written by experts from four universities, it's an excellent resource for any dairy.

To order the book or companion CD, Midwest Plan Services (MWPS)
122 Davidson Hall
Iowa State University, Ames, IA 50011 USA
Phone: 515-294-4337
Fax: 515-294-9589
Email: mwps@iastate.edu



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.



Bellanger Now U.S. Citizen

For Stephan Bellanger, the path to U.S. citizenship began in 1981, when his father started a plant for Sorrento Lactalis Commercial, Inc. in Belmont, CA. Thoroughly French, Bellanger adapted, then stayed in California. After 10 years with Sorrento, an accident and new physical limitations prompted college, graduation from San José State University and, in 1994, a move to Jerome Cheese.



In 2007, Bellanger became a U.S. citizen. "I had a green card, so I've been legal all along," explains Bellanger. "But I felt like a guy without a country. I wanted to be 'part of the team.'"

The process was simple due to Bellanger's history in the U.S. and with Jerome Cheese, but his pride is huge. "Becoming a citizen changed my life. I have a new attitude because I belong, and I'm glad I'm here!"

Now cheese technologist in Jerome, Bellanger uses years of cheese making experience to perform his work. "I help the team manage yields and recoveries," he says. "If something's off, we find out why."

Jim Ward Among Twin Cities' Top CFOs

On October 31, 2007, *Minneapolis St. Paul Business Journal* recognized an elite group of Minnesota chief financial officers for outstanding performance as corporate financial stewards. Jim Ward, CFO Davisco/Cambria/Davis Family Dairies, was one of four honorees in the Large Private Company category.

Asked what he most enjoys about being CFO, Ward emphasized teamwork. "The CFO role allows me to be an integral part of a management team that's directed strategic, profitable growth within our core business and expansion through diversification into new businesses." A hard worker and tenacious negotiator, Ward is proud of the flexibility and creativity that's kept him in the role of CFO for 20 years.

Journal Managing Editor Mark Reilly said his group worked hard this year to draw attention to CFOs. "Whatever their ultimate role, it's plainly grown more important in recent years. The wave of corporate scandals several years ago and the subsequent rise of Sarbanes-Oxley rules have put the job...in the spotlight like never before. Despite the attention on the job, the CFOs themselves have often labored largely in obscurity — at least, when all's running smoothly at their companies." ■

Office staff: Char Barke-Admin Assistant, Kristin Skelley-A/R Manager, Krista Lund-Cambria Controller, Tammy Borchardt-A/P Manager, Julie Saatzer-Davisco Controller



Ward family: Jake, Jim, Jennie, Josh



Celebration: Sitting-Char Barke, Tammy Borchardt, Kristin Skelley, Julie Saatzer, Jim Tucker, Jennie Ward Standing- Krista Lund, Brad Braun, Mitch Davis, Marty Davis, Jim Ward, Brad Becker, Jake Ward

FiSA Selects Alpha-lactalbumin as Most Innovative Ingredient

In June, 2007 Davisco Foods International received the coveted "Most Innovative Food Ingredient" award at the Food Ingredients South America (FiSA) conference in São Paulo, Brazil. Considered food industry "Oscars," FiSA awards showcase advancements by food ingredient leaders. Davisco received the award for the whey protein-derived ingredient Alpha-lactalbumin.

Davisco's Diego Pineda, Mexico City, worked with Laurie Davis, director of analytical research and application sciences, Eden Prairie, MN to prepare submission papers and a technical exposé delivered to an international panel of experts. Pineda made the presentation and spent a total of 21 days in São Paulo to facilitate the award process.

"Competition was stiff," Pineda explained. "Thirteen to fourteen other solid companies had interesting concepts. We prepared technical detail in English, then delivered in Spanish and Portuguese." Pineda accepted the award on behalf of Davisco.

Alpha-lactalbumin provides protein fortification to beverages, nutrition bars, infant formula, dry mixes and renal diet foods. Scientific studies show that it improves sleep quality, cognitive ability, reduces physical and mental fatigue, increases disposition and improves mood. Similar to the main protein found in human milk, it contains no fat, no carbohydrates, no sugar and no lactose. ■

Caio Agmont, New Business Development Manager for Kraki, distributor of Alpha-lactalbumin in Brazil, and Davisco's Diego Pineda share a celebratory moment at the awards ceremony in São Paulo.

