

MILK PLANT

BENCHMARKING

Dairy Tech, LLC

November 17, 2003

Synergy

- Dairy Tech supplies customized, account - specific dairy procurement information & expertise
- This enables our customers to add a 360° category management partner to their team
 - Procurement support (“strategic sourcing”) as a vital supplement to their current arsenal of category management tools

Overview

- ✓ **1. Why We're In Business: We help customers uncover overcharges of \$.10-.25 per gallon. This occurs primarily:**
 - Due to the involved government milk pricing that changes monthly
 - Due to federal and state rules and regulations that are very difficult for retailer's to follow and understand
 - Due to the retailer's lack of fact-based category management information.

Service

- ✓ **2. Our Service: Provide target purchase price points to retailers for their dairy related SKU's.**
 - What retailers' "should be" paying – Target Prices
 - By individual item (SKU)
 - For milk, cream, manufactured products (cottage cheese, sour cream, ice cream., etc.) and juices
 - Dairy Tech provides backup "point sheets" to assist the retailer in negotiating target purchase prices.
 - We monitor pricing in subsequent months via our benchmark tracking system
 - All information is available on line via a personal web address.

Knowledge Base

- ✓ **3. Our Knowledge Base: We have developed and validated a proprietary PC information system that accurately models the dairy's cost structure, anywhere in the U.S. and Canada.**
 - One partner owned and operated a large dairy and knows the dairy cost.
 - One partner owns a computer software firm.
 - Numerous inside industry, farm and university sources
 - Five years of industry data and information

Results

- ✓ **4. Results for Clients: 5-15% reduction in dairy products' cost**
 - Lower dairy costs
 - Increased sales
 - Increased gross margin
 - Better relationship with the supplier

Fees

- ✓ **5. Payment: Our fee is applicable only only if good results are achieved.**

Dairy Technomics, Inc.

Procurement Information
For Retail Dairy Buyers

Chain: XXXXXXXXXXXXXXXXXXXXXXX

Before

SKU	Dairy Technomics "Target Price"	Chain's Current Purchase Net Price	Variance	Yearly Units	Variance
R3.25Homo Pl-gal	\$ 2.177	\$ 2.389	\$ 0.21	146,019	\$ 30,956.03
3.25Homo Pl-gal	\$ 2.177	\$ 2.349	\$ 0.17	1,195,534	\$ 205,631.85
R3.25Homo Pl-1/2gal	\$ 1.108	\$ 1.299	\$ 0.19	204,446	\$ 39,049.19
R3.25Homo PP-1/2gal	\$ 1.126	\$ 1.243	\$ 0.12	15,309	\$ 1,791.15
3.25Homo PP-1/2gal	\$ 1.126	\$ 1.243	\$ 0.12	590,511	\$ 69,089.79
3.25Homo PP-qt	\$ 0.589	\$ 0.659	\$ 0.07	254,361	\$ 17,805.27
R2%Pl-gal	\$ 2.067	\$ 2.224	\$ 0.16	1,023,066	\$ 160,621.36
2%Pl-gal	\$ 2.067	\$ 2.184	\$ 0.12	2,022,231	\$ 236,601.03
R2%Pl-1/2gal	\$ 1.054	\$ 1.217	\$ 0.16	371,988	\$ 60,634.04
R2%PP-1/2gal	\$ 1.072	\$ 1.162	\$ 0.09	689,215	\$ 62,029.35
2%PP-1/2gal	\$ 1.072	\$ 1.142	\$ 0.07	1,049,348	\$ 73,454.36
2%PP-qt	\$ 0.562	\$ 0.619	\$ 0.06	276,529	\$ 15,762.15
1%Pl-gal	\$ 1.991	\$ 2.051	\$ 0.06	462,951	\$ 27,777.06
R1%Pl-1/2gal	\$ 1.016	\$ 1.131	\$ 0.12	26,629	\$ 3,062.34
1%PP-1/2gal	\$ 1.034	\$ 1.075	\$ 0.04	336,520	\$ 13,797.32
RSkimPl-gal	\$ 1.898	\$ 1.963	\$ 0.07	734,625	\$ 47,750.63
SkimPl-gal	\$ 1.898	\$ 1.923	\$ 0.03	734,625	\$ 18,365.63
RSkimPl-1/2gal	\$ 0.969	\$ 1.103	\$ 0.13	178,513	\$ 23,920.74
RSkimPP-1/2gal	\$ 0.987	\$ 1.030	\$ 0.04	166,554	\$ 7,161.82
SkimPP-1/2gal	\$ 0.987	\$ 1.010	\$ 0.02	577,726	\$ 13,287.70
SkimPP-qt	\$ 0.520	\$ 0.547	\$ 0.03	109,972	\$ 2,969.24
1/2&1/2PP-qt	\$ 0.935	\$ 0.993	\$ 0.06	131,491	\$ 7,626.48
1/2&1/2PP-pt	\$ 0.518	\$ 0.521	\$ 0.00	124,407	\$ 373.22
O.J.PL-gal	\$ 1.650	\$ 2.110	\$ 0.46	72,977	\$ 33,569.42
O.J.PP-1/2gal	\$ 0.845	\$ 1.088	\$ 0.24	31,466	\$ 7,646.24
				Total Variance	\$ 1,180,733.40
				Total % of Price	6.13%

Dairy Technomics, Inc.Procurement Information
For Retail Dairy Buyers

Chain: XXXXXXXXXXXXXXXX

After

SKU	Dairy Technomics "Target Price"	Chain's Current Purchase Net Price	Variance	Yearly Units	Variance
R3.25Homo Pl-gal	\$ 1.848	\$ 1.897	\$ 0.05	146,019	\$ 7,154.93
3.25Homo Pl-gal	\$ 1.848	\$ 1.857	\$ 0.01	1,195,534	\$ 10,759.81
R3.25Homo Pl-1/2gal	\$ 0.944	\$ 1.037	\$ 0.09	204,446	\$ 19,013.48
R3.25Homo PP-1/2gal	\$ 0.962	\$ 0.981	\$ 0.02	15,309	\$ 290.87
3.25Homo PP-1/2gal	\$ 0.962	\$ 0.961	\$ (0.00)	590,511	\$ (590.51)
3.25Homo PP-qt	\$ 0.507	\$ 0.536	\$ 0.03	254,361	\$ 7,376.47
R2%Pl-gal	\$ 1.759	\$ 1.777	\$ 0.02	1,023,066	\$ 18,415.19
2%Pl-gal	\$ 1.759	\$ 1.737	\$ (0.02)	2,022,231	\$ (44,489.08)
R2%Pl-1/2gal	\$ 0.900	\$ 0.976	\$ 0.08	371,988	\$ 28,271.09
R2%PP-1/2gal	\$ 0.918	\$ 0.921	\$ 0.00	689,215	\$ 2,067.65
2%PP-1/2gal	\$ 0.918	\$ 0.901	\$ (0.02)	1,049,348	\$ (17,838.92)
2%PP-qt	\$ 0.485	\$ 0.507	\$ 0.02	276,529	\$ 6,083.64
1%Pl-gal	\$ 1.698	\$ 1.642	\$ (0.06)	462,951	\$ (25,925.26)
R1%Pl-1/2gal	\$ 0.869	\$ 0.909	\$ 0.04	26,629	\$ 1,065.16
1%PP-1/2gal	\$ 0.887	\$ 0.854	\$ (0.03)	336,520	\$ (11,105.16)
RSkimPl-gal	\$ 1.622	\$ 1.594	\$ (0.03)	734,625	\$ (20,569.50)
SkimPl-gal	\$ 1.622	\$ 1.554	\$ (0.07)	734,625	\$ (49,954.50)
RSkimPl-1/2gal	\$ 0.831	\$ 0.903	\$ 0.07	178,513	\$ 12,852.94
RSkimPP-1/2gal	\$ 0.849	\$ 0.830	\$ (0.02)	166,554	\$ (3,164.53)
SkimPP-1/2gal	\$ 0.849	\$ 0.810	\$ (0.04)	577,726	\$ (22,531.31)
SkimPP-qt	\$ 0.451	\$ 0.455	\$ 0.00	109,972	\$ 439.89
1/2&1/2PP-qt	\$ 0.795	\$ 0.866	\$ 0.07	131,491	\$ 9,335.86
1/2&1/2PP-pt	\$ 0.448	\$ 0.458	\$ 0.01	124,407	\$ 1,244.07
O.J.PL-gal	\$ 1.650	\$ 2.110	\$ 0.46	72,977	\$ 33,569.42
O.J.PP-1/2gal	\$ 0.845	\$ 1.088	\$ 0.24	31,466	\$ 7,646.24
				Total Variance	\$ (30,582.08)
				Total % of Price	-0.20%

Alliance

- Our customer deepens their dairy category management support
 - Adding procurement expertise and programs to the marketing and merchandising support already provided by USDA and the supplier
- Dairy Tech provides customers the needed information and guidance to improve costs

Garelick Farms - Stop'n Shop					
Franklin, Mass					Oct-03
Raw Milk -		June '03		BF%	\$/Gal
Class 1 - Fed Order 1	Zone 3.23	12,990		3.50%	\$1,247
Plant Producer Premium		1,100		3.25%	\$1,221
Market Administrator Fee		0,040		2%	\$1,103
Processor Assessment "Got Milk"		0,200		1%	\$1,008
1% Plant Loss		0,143		Skim	\$0,913
Milk Cost @ 3.5% Butterfat/CWT		14,473			
Tag Weight in Grams					
		60gr		45gr	
Package		PI Gallon		PI 1/2 Gal	PP Qt.
Resin \$0.53/lb.		0.070		0.053	
Cap & Label		0.016		0.017	
Labor		0.010		0.007	
Overhead		0.010		0.008	
Subtotal Package		0.106		0.085	
Plant					
Labor & Benefits		0.065		0.034	0.055
Maintenance		0.012		0.006	0.000
Lab		0.006		0.003	0.000
Utilities		0.020		0.010	0.000
Depreciation		0.007		0.004	0.000
Overhead/Other		0.040		0.020	0.000
Subtotal Plant		0.150		0.077	0.055
Gen & Admin.					
Salary & Benefits		0.010		0.005	0.0030
Interest		0.002		0.001	0.0005
Insurance		0.002		0.001	0.0005
Legal		0.002		0.001	0.0005
Buildings & Grounds		0.000		0.000	0.0000
Subtotal G & A		0.016		0.008	0.005
Delivery					
Milk Case Use		0.020		0.010	0.005
Labor		0.084		0.042	0.021
Equipment		0.102		0.051	0.025
Subtotal Delivery		0.206		0.103	0.051
Sales & Marketing					
Order Entry		0.002		0.001	0.0005
Sales & Benefits		0.010		0.005	0.003
T & E		0.000		0.000	0.000
Advertising		0.000		0.000	0.000
Promotion		0.000		0.000	0.000
Subtotal Sales & Mkt		0.012		0.006	0.003
TOTAL Non-Milk Cost		0.490		0.279	0.179

Cost Model Trailer DSD					
Dairy Tech					Apr-03
Proprietary Information					
Wages					\$/Wk
Driver	18/hr 45hr/wk				810.00
Benefits	40%				324.00
Vacation	1500x4wks/yr.=3,500/52=115/wk				115.00
Supervisor					100.00
Uniform					75.00
					1,424.00
					0.0586
Load-out					
Labor	\$15/hr + 40% = \$25.00				
1man 3 hrs/truck x 6days = 18 hrs. x \$25. =					450.00
Uniform					75.00
Gen.Dept. Expense	\$0.015/gallon x 30,000				450.00
					975.00
					0.0401
Equipment					
Tractor					600.00
Trailer					300.00
Fuel	\$1.50/gal Refer @ \$25.				25.00
200 miles/day x 6= 1200 @ 6mpg = 200 gal/wk.					300.00
					1,225.00
					0.0504
					TOTAL 0.1491 /Gallon
Assumptions:					
Route Truck: Trailer	DSD @ 6 Days/Wk		6-Gallons/Case		
Max loadout			980		
Store case volume ave/day			135		
Number of stops / truck / day			5		
Number of cases / truck / day			675		
			24300	Gal/Rt/wk	

Dairy Technomics

Date: _____

To develop a Target Price structure for your marketing area, Dairy Tech must obtain the following information. Existing conditions in your dairy department reflect your target price. Please return to Fax (908) 236 7404

Your Location: _____

Plant - Supplier's Location(s)

Plant Name: _____ City: _____
Plant Name: _____ City: _____

Product List

Attach a recent SKU list include pricing and sales volume.
Identify & differentiate Company Brand or Private Label:

SizeHDPEPaperPetLabel Type

Gallon

½ Gal

Quart

Pint

Plastic - High Density Polyethylene (HDPE) standard milk jug or Pet Type of Label
Paper Containers (PP)

Delivery

Type of delivery

Plant to Store (DSD) Plant to Warehouse (DC) Distance to DC: _____ml.

Delivery days: _____ Time deliveries may be made:

DSD:2 34 56 7 _____ Anytime

DC:2 34 56 7 _____ Between certain hours

Drivers' tasks:

Full service @ store: load cooler, give credit, rotate stock, load shelves, price product & order

Partial service: Load cooler, check credits & order.

Drop delivery in cold box/ vault

Drop trailer at DC Rotate Trailer at DC Unload at DC

Other: _____

