

Dairy Products Division Newsletter

OUR GOAL:

Be flagship dairy in U.S.

(The following article is a summary of an address by Jay I. Johnson at a recent meeting of dairy controllers and production managers in Nashville, TN.)

We are on the threshold of a new era in the history of Beatrice and our dairy division. I have met with the new owners on numerous occasions to discuss budgets, plans, the strategic course we have set for Beatrice Dairy Products and what is expected of us.

Our goal is to become the flagship dairy in the United States.

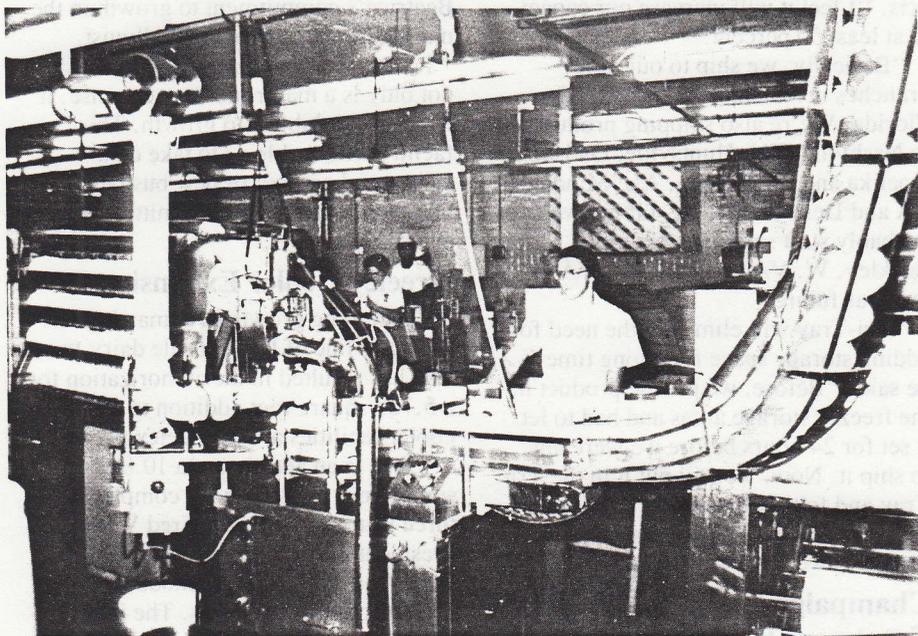
Performance is the first priority. Generating a strong, consistent cash flow is a vital component of the new owners' plans for Beatrice. This means that every one of our operations, every one of our people, must "raise the bar" for performance. Each operating unit must achieve its best sales and earnings performance during the 1987 fiscal year.

To become the No. 1 dairy, we must perform at twice the industry growth rate for both sales and earnings in all major categories. We have the tools and resources we will need to succeed. All of our fiscal '87 budgets have been accepted by new management.

We also have the commitment of chairman Don Kelly and U.S. Foods President Fred Rentschler to decentralized management. However, their concept of decentralized management differs greatly from the old Beatrice profit center autonomy style.

The intent is to allow each Beatrice division to operate as a coordinated unit, to delegate to each division president the authority and responsibility to organize and run his division as a free-standing profit center. In our case, I believe that the best way to go is as a coordinated unit, working as one to achieve division goals. We will continue to operate with centralized, coordinated systems and programs

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PERFECT PRODUCT — Dothan's new Tri-Tray hardening system will freeze ice cream ready for shipping in four hours. Freezing capacity of the machine is 4,000 gallons per hour at 0 to -5 F core temperature. Its total holding capacity is 17,900 gallons. The fan circulates 236,000 cubic feet of air per minute.

Beatrice expanding investment in Dairy Division's future

Produce better dairy products at higher speeds and lower costs. That's the thrust of an expanded capital investment program dedicated to establishing Beatrice Dairy Products as the leader in the industry.

"Our industry is changing, becoming more and more competitive," explained Ralph Hallquist, vice president of planning and business development. "The companies that can produce products most efficiently with top quality will be the ones that get the major new accounts. They'll be the survivors.

"We're committed to being the leader in our industry. To that end, Beatrice has increased its capital expenditures budget for the Dairy Products Division. That program involves selectively identifying those plants that can make us a more effective competitor and then investing in their development."

Hallquist cited major projects at Dothan, AL, Champaign, IL and Greeley, CO among a record 104 which are in the approval stages as examples

of this aggressive investment program.

Dothan Super Freezer

Installation of a new Tri-Tray hardening system is nearing completion. This is an automated freezing tunnel process that will cut the freezing time for finished ice cream at least 600 percent, from a typical 24 hours to just four hours.

"It also improves our quality," Hallquist noted. "It binds up the moisture in the ice cream and prevents it from crystallizing or shrinking. With this system, our ice cream products will be in perfect condition when they leave the plant."

The new building has a capacity of 56,320 cubic feet and the capability of handling up to 11 product lines simultaneously. Following eight months

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Beatrice expanding dairy investment (Cont.)

of construction, it is scheduled to begin operation in mid-October.

"However, we're hoping we can have it running by mid-September," noted Dothan Manager Verbon Mathis, whose plant is the cornerstone of a major regional growth program for Beatrice ice cream and novelty products. "I feel it will increase our capacity at least 50 percent."

"Basically, we ship to our nine branches in Alabama, Georgia and Florida. We're also shipping products to Nashville, TN, Huntsville, Gadsden, Opelika and Tuscaloosa, AL, Minden, LA and Des Moines, IA. I think we'll probably start shipping some to Beckley, W. VA and Radford, VA in the near future.

"Tri-Tray will eliminate the need for adding storage space for a long time," he said. "Before, we put the product in the freezer storage areas and had to let it set for 24 hours before we were able to ship it. Now, we will put it in the Tri-Tray and four hours later it'll be ready to go and in perfect shape for the long distances we cover."

Champaign \$2.2 Million Treatment Facility

Ground was broken on Monday, June 30 for a \$2.2 million, two-stage waste pre-treatment facility at the Champaign dairy plant which will have a capacity of over 200,000 gallons of dairy production wastes per day. Completion is targeted for next January for the largest such project ever undertaken by a Beatrice dairy plant.

One of Beatrice Dairy Products' largest operations, Champaign processes and bottles fluid milk, cottage cheese, sour cream, dips, orange juice and fruit ades. It also houses a highly sophisticated UHT facility which packages fruit juice products and Hunt-Wesson tomato sauce.

Volume has increased steadily, particularly after the consolidation of plants at Joliet and Mattoon, IL in 1982, and the plant exceeded discharge concentrations allowed under its Metropolitan Sanitary District variances.

"This necessitated development of a program for a waste pre-treatment system," explained Ed Zettl, project engineer. "Other alternatives such as trucking the waste to a nearby sewage plant, reducing cottage cheese production or trucking dried whey to New Bremen, OH were investigated and did not prove to be feasible.

"The proposed system was selected because it produces very little sludge, has low operating and maintenance costs and produces methane gas which can be used to fire our boilers at an estimated productivity savings of \$40,000 per year."

"This is another measure of Beatrice's commitment to growth in the market place," observed Hallquist. "Treatment of dairy by-product waste not only is a major industry expense, it is a major inhibitor to growth. This facility will enable us to take on a substantial amount of new business in a market where we are committed to achieving growth."

Greeley Cooler Expansion

Continuing growth in demand for its specialty line of UHT sterile dairy products has resulted in the authorization for a 5,700 square foot addition to the cooler facilities at the Greeley plant.

"This is an addition to a 10,000 square foot expansion we completed three years ago," noted Fred Volk, vice president of the Western Region. "It is being built just to accommodate the UHT processed products. The investment is justified by the additional volume growth Greeley continues to generate with its sterile products."

Sterile products, which have a shelf life of 90 to 180 days, have to be held in quarantine to assure that the bacteria count is safe. Increasing sales, therefore, require continuing additions to cooler space.

"We start accumulating orders on Monday, and all product is held in quarantine for at least four days," explained Joe Robinson, manager of the Greeley plant. "It takes a full week to accumulate the orders and buy the extra raw cream we need. We then ship on the following Monday."

Robinson shares Volk's optimism about the growth potential for Greeley. "We think we can increase our volume in all categories by 40 percent in the next five years, based upon current market conditions," Robinson estimated. "The three main categories are sterile and extended life products, our pure juice line and our cultured product line. Growth for the sterile product line has averaged an astounding 17 percent per year over the last four years.

"We consider ourselves the dairy's dairy, because we supply them with the specialty items they need," he said. "Among our customers are Albertson's, King Soopers, City Markets, Skaggs Alpha Beta, the Safeway



CHAMPAIGN PARTY — Members of Beatrice's Meadow Gold team pitch in for the ground-breaking for the \$2.2 million waste water pre-treatment plant at Champaign, IL. From left: Ed Zettl, project engineer, Chicago; Tom Ruzicka and Geno Espe, production manager and project manager, respectively, at Champaign.

Dairies in Texas, Oklahoma, Denver and Salt Lake City, Western General Dairies in Salt Lake City and the Affiliated Foods Grocery Warehouse in Norfolk, NE.

"We also package for all of the Meadow Gold dairies in the West and Midwest for sterile products, coffee creamers, some sour cream products and dips. And we do all of the juice business for a lot of them," he added.

With the cooler expected to be completed early in 1987, Robinson also expects to move further into the Mountain States and the Pacific Northwest, thus fulfilling customer demands which previous capacity would not allow Greeley to serve. **B**



GREELEY GALAXY — Manager Joe Robinson (left) and Production Superintendent Lyman Farris display some of the items representative of the Greeley plant's extensive product line.

Human Resources Dept. sets plans

The newly formed Human Resources Department has set goals for Beatrice Dairy Products that would challenge the combined strengths of Atlas, Hercules and Samson.

"Our purpose is to consolidate the human resource functions so that we have a unified program approach in all of our basic areas of concentration, whether it's labor relations, recruiting, compensation, employee benefits, employee development and training or general employee services," explained Tom Seldon, vice president of the department.

A major objective is to free the members of management of the individual plants from these activities so they can concentrate on running the business, which is sales.

"One of the areas we're working on specifically relates to the management of the compensation programs," Seldon said. "We want to ensure that our compensation is internally equitable and externally competitive. We're also concerned with uniformity within the division so that we have similar compensation levels applied to similar positions.

"Further, there should be a structure and a system so that people not only are compensated correctly for their current positions, but that there's logical movement between positions.

"In order to develop a comprehensive program that provides for internal equity and competitive salaries, the department is presently analyzing and defining job levels and job structures," he said.

Another current activity is staffing of key positions, specifically in marketing, quality control and quality assurance. The majority of these positions have been filled by people from within Beatrice.

"The accounting and finance disciplines are also being expanded substantially with greater emphasis on improved systems and data processing approaches," Seldon reported.

"We're looking at benefit structures for uniformity within the division. We want to be sure that we have benefits that are competitive and also cost effective. This will include all major areas such as medical, dental and life insurance," he added.

The department will be introducing two new systems, a Management By



RESOURCEFUL TEAM — Members of the Dairy Products Division's Human Resources Dept. discuss programs designed to help everyone in the division. From left, seated: Barbara Pryzdia, secretary; Tom Cayten, labor relations supervisor; Standing: Tom Seldon, vice president; Norb Kudele, labor relations supervisor; Rod Braye, manager, Human Resources Services; George Frye, labor relations supervisor.

Objectives (MBO) system which is being implemented now, and a Performance Appraisal system. The latter will be used by employees to measure performance and achievement and to establish better communications with supervisors to improve performance.

Seldon explained that although several plants had some of these programs when Beatrice operated on a highly autonomous basis, they were not as fully developed as they're going to be.

"We're excited about the kinds of objectives we hope we can accomplish and the impact they will have on the employees," Seldon enthused. "They will provide some excellent tools for managers.

"The key really is that employees need to know what's expected of them and what they can expect from the company," he said. "If those things are understood by all employees, then you get an efficiently functioning organization.

Details of all programs will be communicated to all members of the division as each of them folds out.

"Our people should know what things are being done that are going to impact their working lives with the company," Seldon stressed.

"The bottom line is to maximize performance individually and collectively," he noted. "If we can achieve that and, at the same time, provide job satisfaction and growth opportunity for all 4,200 employees in our division, we will have attained our ultimate goal." B

We'll woo customers with dairy treats at Western Open

Beatrice dairy products proved to be so popular last year that they again will be featured refreshments at the 1986 Western Open golf tournament. Beatrice is a participating sponsor of this prestigious event which will be contested at Butler National Golf Club, Oakbrook, IL from Thursday, July 31, through Sunday, August 3.

All of the participating golf professionals will be served Mountain



High Yoghurt. (Of course, that automatically makes each one a winner.) Meadow Gold white milk, chocolate milk and butter will be served at all refreshment stands as well as in the Beatrice hospitality tent to which special customers and potential customers are invited. There, they will also be treated to two new product delights: Turtles and Classic ice cream bars. B

Our Goal: Be flagship dairy (Cont.)

which will enable us to maximize our efficiencies and profits.

Must be marketing oriented

To reach flagship stature, we must change our orientation from production to marketing. Others are ahead of us on that score, notably Dean and Southland.

We no longer can compare our performance only against ourselves... how we are doing this quarter versus how we did for the same period a year ago. We must also look at how Beatrice dairy, and each of our brands, performed against our major competitors and their brands. We must hold substantial positions in the marketplace in every major category in which we compete. Critical to our success is a high level of attention to consumer satisfaction, consumer needs and consumer concerns. That's the foundation upon which a marketing-oriented company is built.

Production is integral to our success. Consumers have the right to demand safe products, produced according to strict standards, and to get the same high quality every time they choose a Beatrice dairy product.

Tamper-evident packaging

We are also working with an innovative package manufacturer to answer consumers' demand for tamper-evident packaging. If we can catch a break, we'll have an exclusive tamper-evident package, unique to the industry, that can be produced on our standard equipment for our full line of cultured products.

A strong marketing orientation also means that we need to sharpen our other skills at the same time. Just look at what we've done with our new lines of value-added ice cream and novelty items. They are giving us the kind of ammunition we need to break into the major supermarket chains, a high priority.

New MIS program

We are putting into place a new MIS program to enable us to gather and use the marketplace data better. The data will tell us what we need to know and will focus our consumer strategies, new product development and production needs and goals.

We want to ensure that our marketing and sales programs are targeted at the right consumer segments. Given the high cost and high failure rate of new products throughout the food industry, better data will help diminish our risk and make certain the products we do develop are moving us in the right direction. The MIS project must be completed as quickly as possible.

Once we examine each item and lay it against brand strategies and performance goals, we can expect more standardization of packaging, and possibly the elimination of some items. We expect to be able to reduce the number of stock keeping units.

We also need to take a closer look at our production methods. For example, we currently have two processes to make cottage cheese. Does the consumer have a preference for one over the other? Is one more cost efficient?

We need to put more excitement into our products, tie them to consumer trends. For example, we haven't used the consumers' interest in health, especially the need for increased calcium intake, to our advantage.

Future tied to chains

Another thing a marketing company does is analyze its customer mix. We've got a real challenge in this area. We have been very successful in the past in selling to small "mom and pop" stores. But these stores are closing literally by the hundreds. Our future is tied to our ability to sell to major chains.

With this in mind, we have restructured our sales and marketing organization to enable us to attack the marketplace cohesively and give us a fair shot at larger and more expansive customers. We have put a tactical performance plan in place that better utilizes all our capabilities and is a good example of the benefits of a strongly integrated dairy organization.

As noted earlier, performance is our first priority. Performance drives everything, including incentives and bonuses. We are coming off an out-standing year, but for the first quarter of fiscal '87, all categories require stronger performance to reach our plan goals.

No excuses will be accepted. We have a lot of work to do just to get back on course, and we'll have to work that much harder to gain momentum and move forward. But the trends are in our favor, and I'm sure we'll succeed. **B**

We've developed secret formulas for success

Its contents are so confidential that each set has to be signed for by every recipient who must swear to secrecy and promise to keep it in a "safe" place.

Why the top security classification?

The Dairy Products Division has just completed distribution of an Ice Cream Formula and Specifications Manual which sets superior standards for all Beatrice plants, among the highest in the entire industry. The manual was developed by a Dairy Products Technical Team, headed by Technical Director Dr. Ed Epstein and which included Ice Cream Senior Project Leader Chuck Wheatley, Q. C. Specialists Tedd Wittenbrink and Chuck Yeager, Ice Cream Region Operations Manager Ric Coupe, and Purchasing Director Ken Koenig. In addition, consultants from the U.S. and Canada participated in developing and reviewing standards contained in the manual.



Production formulas and procedures for each of our Beatrice ice cream brands are covered in three key sections. These are base mix formulas, finished product specifications and raw ingredient specifications. Sections contain all the information needed to produce uniform and top quality products, including percentages of each ingredient, processing times and temperatures and product weights.

All ice cream plants are expected to follow the practices and procedures detailed in the manual. The objectives are to create a uniform line of products for each brand and flavor and to improve quality. Quality control checks will be conducted on a quarterly basis.

Similar manuals are being developed for novelties, cultured products and fluid products, according to Epstein and will be published during the second and third quarters of 1987. **B**