

Inside the Mega-Dairy: Management Strategy and Decision-Making Structure

An Entira Multi-Client Study

May 2005



*The dairy industry is the last frontier for concentration and integration
in US animal agriculture.*

An industry in flux.

In the last 10 years alone, the number of dairy operations has dropped by nearly 60%. Yet cow numbers have remained relatively flat, dropping by only 5%, and total milk production has actually increased by 10%.

The rise of the mega-dairy.

Operations with at least 1,000 cows are responsible for nearly 30% of US milk production, even though they represent only about 1% of US dairy farms. And they are growing fast. From 1997 to 2002, this group grew by more than 40%.

These dairies represent a new breed that is not easily characterized. Their leaders may consider themselves entrepreneurial portfolio managers who often delegate decision making to experienced managers with functional responsibility for certain areas of the operation. However, for certain decisions, they're actively involved. And the role of financiers, consultants and other influencers in the operation complicates decision-making as well as contact for outsiders.

These mega-dairies are vastly different than the majority of US dairy farms—the 80% of dairies that manage less than 100 cows. But many agribusinesses don't reflect this difference in their sales and marketing approach to mega-dairies. Much of the disconnect is due to lack of understanding. This multi-client study is designed to provide the

insights needed by companies who sell to or buy from mega-dairies, so they can be more successful in this endeavor.

In June 2005, Entira will launch a multi-client study to explore the US mega-dairy. The study will:

- Analyze the structure of mega-dairy operations and implications
 - How mega-dairies came to be and factors influencing their size, capitalization and location
 - How they operate
 - How they meet functional needs (i.e. outsource vs. internal production for crops, management and technical expertise)
 - The role of various players and influencers in decision-making (i.e., how decisions are made and the role of specialists—such as nutritionists and veterinarians—in the buying process)
 - Key drivers for decision-making, including the role of other businesses in the portfolio
 - How policy affects their decisions
- Explore unmet needs
 - How they evaluate purchases and suppliers
 - What it takes to get them to try something new
 - Key drivers of change in their operation
- Identify priorities for the future
 - Future plans, especially for growth or integration
 - How these plans affect what they need from you
 - How they allocate assets and how that may change in the future

While this outline forms a skeleton structure for the study, participants will have an opportunity to tailor the direction of producer interviews to better meet their needs. All study subscribers are invited to a kick-off conference in which the group of subscribers will review the study outline and set priorities for exploration.

Participants also have a special opportunity to get producer perspectives on their company and products. Participants may, for a nominal fee, opt to receive any verbatim comments producers make about their product or company during the interviews.

Study methodology includes:

- Quantitative surveys among more than 150 key mega-dairy decision-makers to assess critical supply-chain issues such as their perceptions about specific products and suppliers, what they look for in a preferred supplier, how they make buying decisions, where their current suppliers excel or fall short and how that affects their plans for the future.
- At least 50 in-depth interviews with 20 mega-dairies, the majority of which will be with operators of 2,500+ cow herds, to provide added insights and context to the survey results. Interviews will be with top owner/managers as well as line managers and consultants with decision-making responsibility for key input purchases and output marketing.

- A review of available research and information from the National Ag Statistics Service and similar sources.

What is a multi-client study?

It is an opportunity for companies to get the answers they need to move their business forward at a fraction of the typical cost. A group of food and agribusiness firms jointly participate in funding a multi-client study. Those who purchase the study by June 10 will have an opportunity to tailor its focus to more specifically meet their needs. This multi-client format works well because gathering the information is non-strategic, so companies can save in this phase to focus resources on strategic areas such as how they use the information from the study.

Who should participate?

Firms who sell to or buy from mega-dairies now, or would like to in the future, should participate. Mega-dairies are significant purchasers of seed for corn silage and alfalfa, feed additives, equipment, animal health products, genetics, capital and financial services. And they provide a majority of the milk and component products used by processors. Any of these companies can use this study to improve their offering to mega-dairies.

How might they use the study?

This study may be used to focus or refine a firm's marketing and sales efforts in the dairy industry including:

- Provide insights for positioning your company, products and services
- Fuel new product development based on the problems and unmet needs of this segment.
- Suggest strategic alternatives for your sales and distribution approach to the mega-dairy segment
- Identify the mix of resources and level to commit to this segment
- Prioritize the relative weights for producer vs. influencer marketing and promotional activities

What is the cost?

The fee for the study is \$16,500, which will be billed in two installments. Sixty percent (\$9,900) will be billed upon study initiation in June and the remaining 40% will be billed upon delivery of the final report in late September.

If participants would like to receive all verbatim comments related to their company or product, the cost is an additional \$1,800.

What are the deliverables?

- Following the kick-off conference, participants will receive a draft of the discussion guide that will be used for producer interviews for their review and comment.
- At the completion of the study in late September, the participants will receive a final written report.

- Those participants who elected to receive verbatim producer comments related to their product or service will receive that supplementary report as well.
- In October, in conjunction with World Dairy Expo, participants will attend a one-day conference for a final report of the findings. This conference will include a panel discussion with a few key, leading dairy producers who will share their insights on the most compelling results of the study. The kick-off and final conferences also provide participants with networking opportunities.
- Entira will also make on-site presentations of the findings at client offices for the cost of travel, which is billed at cost.

What is the timing?

June 10	Enrollment deadline
June 16	Kickoff meeting
Late September	Report distribution
October	Final presentation at World Dairy Expo

What if I have questions?

Call Joy Parr Drach at 615-273-2977 or Mike Karst at 901-753-0470 to discuss details of the study.

How do I participate?

Complete the attached enrollment form and fax to 615-273-2979 before June 10 and plan to attend the June 16 kick-off conference in Memphis.

Who is the study team?

The study will be conducted by the partners and associates of Entira (www.entira.net), a firm that helps food and agribusiness companies develop innovative strategic solutions to meet changing market needs. Principal analysts will be:

Joy Parr Drach, Senior Partner. Joy's experience spans strategic planning, marketing and branding across food and agribusiness sectors. She has led strategic planning processes for products in all spectrums of the life cycle, from the launch of new businesses to the revitalization of mature products. Joy has successfully launched more than 20 new products ranging from herbicides to equipment to food products. This work included product development, pricing strategies, distribution plans, sales training and marketing/promotion planning and execution. She received her bachelor's degree in agricultural communications from the University of Illinois and a master's in business administration from the University of Chicago.

Mike Karst, Senior Partner. Mike's perspective on the future of food and agriculture comes from a vantage point that few possess. Since the mid-1980s, he has designed strategies for incorporating new technologies in agribusiness involving all aspects of the farm-to-consumer value chain. In recent strategic planning positions, Mike has been privy to some of the most intimate details about the future of agriculture, as articulated by scores of companies from the top payers in the industry to the up-and-coming technological innovators. Mike has previously held positions in retail farm supply

management, global marketing, e-commerce and strategy for agrochemical companies. He holds a bachelor's degree in agronomy from Purdue University and has taken post-graduate training at Fairleigh Dickinson University.

Mark Stober, Partner. Mark helps marketers turn today's information-saturated environment into actionable, business-building knowledge by quickly identifying, then tracking, the few critical market trends that lead to knowledgeable and profitable decisions. He understands selling to diverse agricultural markets, and how companies can turn knowledge into a competitive advantage. Mark has led marketing and promotional programs for leading suppliers of equipment, animal health and crop protection products. In his off-hours, he is a business professor at the Indiana Institute of Technology and Huntington University. He received a bachelor's degree in agricultural economics and journalism from the Ohio State University and a master's in business administration from North Park University.



ENROLLMENT FORM

- Yes, I want to participate in “**Inside the Mega-Dairy: Management Strategy and Decision-Making Structure, An Entira Multi-Client Study.**” The cost of the study is US\$16,500.

**Return Form to Entira
Via Fax to (615) 273-2979**

- Please have someone contact me to provide further information.

Name: _____

Signature: _____

Title: _____

Company: _____

Street Address: _____

City: _____ State: _____ ZIP: _____

Telephone: _____ Fax: _____

E-mail Address: _____

Please feel free to contact Entira with questions:

Joy Parr Drach
Senior Partner
Entira
12247 Halls Hill Pike
Milton, TN 37118
Phone: 615-273-2977
Fax: 615-273-2979
Email: joy@entira.net