

JIM FEE: Turning milk into corporate growth

E V E N T S

Dairy Farmers of America goes beyond milking cows – way beyond – although family farms are the heart and soul of the Kansas City-based cooperative. DFA starts with taking milk to market, but it has grown into a \$10 billion powerhouse that is KC's largest private company.



ACG member Jim Fee is one of the people driving DFA's growth. As vice president of finance since 2007, Jim spearheads mergers and acquisitions for the cooperative.

DFA is actively expanding its footprint in dairy manufacturing and consumer products. The goal, Jim says, is to give dairy farmers control of their product "from farm to shelf" – and to provide attractive returns to 18,000 dairy farmers who are DFA members.

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AUGUST 22 ANNUAL GOLF TOURNAMENT

10:30 a.m. - 6:00 p.m.
Lake Quivira Country Club
100 Crescent Blvd.,
Lake Quivira, KS

SEPTEMBER 9 BREAKFAST MEETING

Jim Schwartz,
President, NPC International

7:30 - 9:00 a.m.
Kansas City Marriott
Downtown
200 W. 12th St.,
Kansas City, MO

OCTOBER 14 BREAKFAST MEETING ACG Kansas City 10-Year Anniversary Celebration

7:30 - 9:30 a.m.
Kansas City Marriott
Downtown
200 W. 12th St.,
Kansas City, MO

NOVEMBER 11 BREAKFAST MEETING

Capital Markets Panel:
A Year in Review

7:30 - 9:30 a.m.
Kansas City Marriott
Downtown
200 W. 12th St.,
Kansas City, MO

W H A T Y O U M I S S E D

Analytics can unlock profits

In the drive to improve profitability and cash flow, the more granular the analysis the better the results are likely to be, Paul Buchanan, president of BucsAnalytics, told business owners and executives in ACG Kansas City's spring workshop for corporate members. The May 19 session was titled "Profitability Management Increases Growth Opportunities."

Averages and totals describing customers, sales and costs often mask the challenges companies are facing, Buchanan said. In an era of mass production, companies focused on economies of scale to reduce costs and improve profits, so the overall view was useful.

But we have emerged in a new economy with nearly limitless customization and technology-aided efficiencies, so business data now needs to be sliced and diced into finer segment analysis – at the customer, product, market, process, and salesperson levels – to understand what is working and what isn't.

For example, how do you know if your largest customer is also your most profitable one? You would think so, but by the time you give volume

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JIM FEE: Turning milk into corporate growth *(Continued from page 1)*

Jim joined Dairy Farmers of America with experience in commercial banking, investment banking and Sprint Nextel's finance group. From the DFA headquarters near KCI, his team manages M&A and investments in dairy-related businesses across the country.

Growth strategy for DFA

Dairy Farmers of America members operate more than 10,000 farms in 48 states. About 75% of DFA revenue comes from its original mission of milk marketing for those farms: picking up milk and delivering it to processing plants to get a fair price for the farmers.

WHAT YOU MISSED

Analytics can unlock profits *(Continued from Page 1)*

discounts, favored terms and unequalled service, you may be surprised by how much – or how little – margin you are making.

Profitability management principles suggest that owners can increase margins on core business by understanding and managing their business at the lowest common denominator, as described in the book, "Islands of Profit in a Sea of Red Ink."

What does profitability management have to do with corporate growth? As Buchanan noted, in today's world of tight credit, increased profit is a critical source of investment capital for growth initiatives. Companies need to be developing growth strategies and have the ability to invest in their own future. What better source of funding than internal resources?

Lifting a glass at ACG wine tasting



ACG members Margaret Reynolds, Scott Nord and Terry Matlack enjoy the May 19 event at the Culinary Center of Kansas City.

DFA was created in 1998 through the merger of four regional dairy cooperatives, and it has added more cooperatives to the family since then. In 2010, DFA marketed a reported 63 billion pounds of fluid milk, estimated at 30% of the U.S. supply.

The other quarter of DFA, its faster-growing commercial business, includes 27 processing plants; consumer brands like Borden cheese; private label butter and cheese for Wal-Mart and other stores; food ingredients for customers like Hershey's and Sara Lee; and contract manufacturing of products such as Tostitos and Frito-Lay branded dips and salsas and Starbucks Frappuccino and iced coffees.

DFA is pursuing a two-pronged growth strategy: organic expansion of existing businesses through investment in product R&D and new plants to support processing; and acquisitions of companies or brands to extend the DFA reach in products that build upon its dairy core.

"What we are trying to do is grow our commercial business," Jim says. DFA's most recent deal was the acquisition of Kemps, a Minnesota-based producer of fluid milk, ice cream, frozen yogurt and juice products. The price has not been disclosed.

The cooperative difference

Dairy Farmers of America is owned by its 18,000 dairy farmers, and the business is run for the benefit of those members.

Somewhat like shareholders, DFA members are more actively engaged. Each member's main net worth, after all, is concentrated in his or her family farm. Their livelihoods consist in supplying milk, through DFA, through the supply chain to the industry's consumers – families who buy milk, butter, cheese and ice cream. So DFA is more than a casual interest.

The cooperative is governed by a board of 51 dairy farmers elected by fellow DFA members in seven areas. The board sets the direction for the cooperative and oversees services to the members, and DFA's executive team makes it happen in the business. DFA pays members a cash distribution each year and retains about two-thirds of earnings to invest in growth.

Value of ACG

Jim got involved in ACG Kansas City as an early corporate member, when he worked in finance for Sprint. He values the relationships – and the content – he gets from ACG.

"What I like are some of the speakers, the ideas, hearing what others are doing to grow," Jim says. "I also like the involvement, seeing if there are ways to help grow this area" – for example, ACG Kansas City's encouragement of private equity investments in the region through events such as the Mid-America Corporate Growth Conference.

MID-AMERICA CONFERENCE: bigger & better than ever



Conference and ACG chapter leaders (from left) Phil Worden, Kansas City, vice chair; Brian Gilbreath, Nebraska chapter president; Keith Rhodes, St. Louis chapter president; John Hense, Kansas City chapter president; and Don Ficken, St. Louis, conference chair



Top-rated speakers presented best practices for corporate leaders

Making ACG Kansas City's annual private equity event bigger and better by partnering with our St. Louis and Nebraska neighbors for a regional conference paid off richly for members.

The Mid-America Corporate Growth Conference on May 11-12 attracted 488 participants from the Midwest and nationwide to the Hilton St. Louis at the Ballpark. Attendees were about 20% corporate executives, 30% private equity investors, 15% investment bankers, 15% lenders and 20% other growth professionals.

"We ended up with a great mix," says ACG Kansas City's Phil Worden, who served as conference vice chair and will chair next year's conference in KC. "We've had very positive feedback. The participants and ACG leaders liked the regional event because we got more critical mass for the attendees. I credit the success to the many people who worked very hard on the conference, and our excellent sponsors."

The St. Louis meeting provided nationally known keynoters and seminars on best practices in M&A, post-deal integration, customer service and high-growth corporate culture. Private equity groups, intermediaries and dealmakers found ample opportunities to explore deals during the two day conference.

NEW MEMBERS

David Brain,
Entertainment Properties Trust

Aric Cleland,
Goldman Sachs

Zach Henderson,
Plutus Investments LLC

Michael Hernandez,
Bunzl Processor Distribution, LLC

Jeff Howard,
Cline Wood Agency, Inc.

Paul Juffer,
LWBJ Financial

David Price,
Wachter Electric

Dealmakers found ample opportunities for informal networking

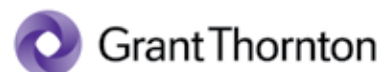


Deal? Private equity investors and corporate execs mingle in Capital Connection



Mark your calendar for next year's Mid-America Corporate Growth Conference on June 5-7, 2012, in Kansas City. (Confirmed dates and KC venue TBA.)

OUR SPONSORS



Special thanks for this newsletter to Paul Davies of MARK Corporate Branding, Margaret Reynolds of Reynolds Consulting and Dick Johnson of Johnson Strategic Communications.

CALENDAR

AUGUST

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Visit www.acg.org/kc for more information and to register.