

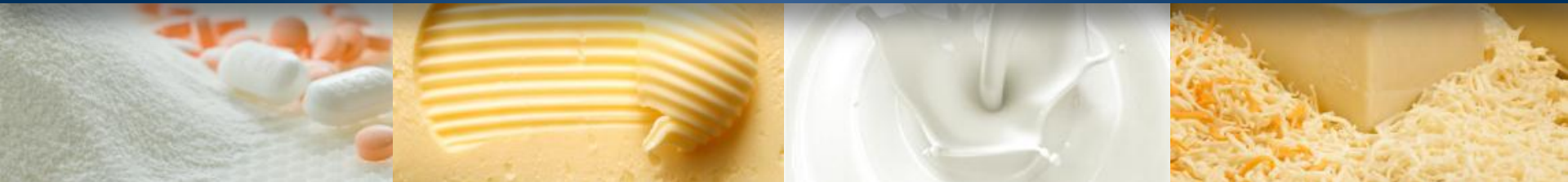
# *Leading Change: Implementing a Structured Equity Plan*

Michael Doyle VP Finance/CFO  
Foremost Farms USA  
Baraboo, Wisconsin



**Consistency is our main ingredient.**

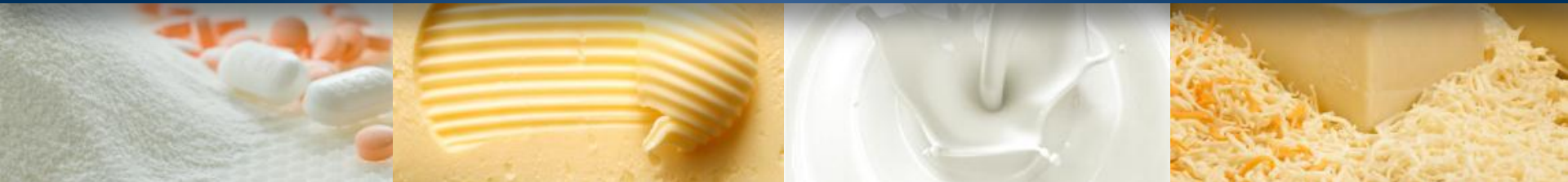
*Your future is Foremost.*



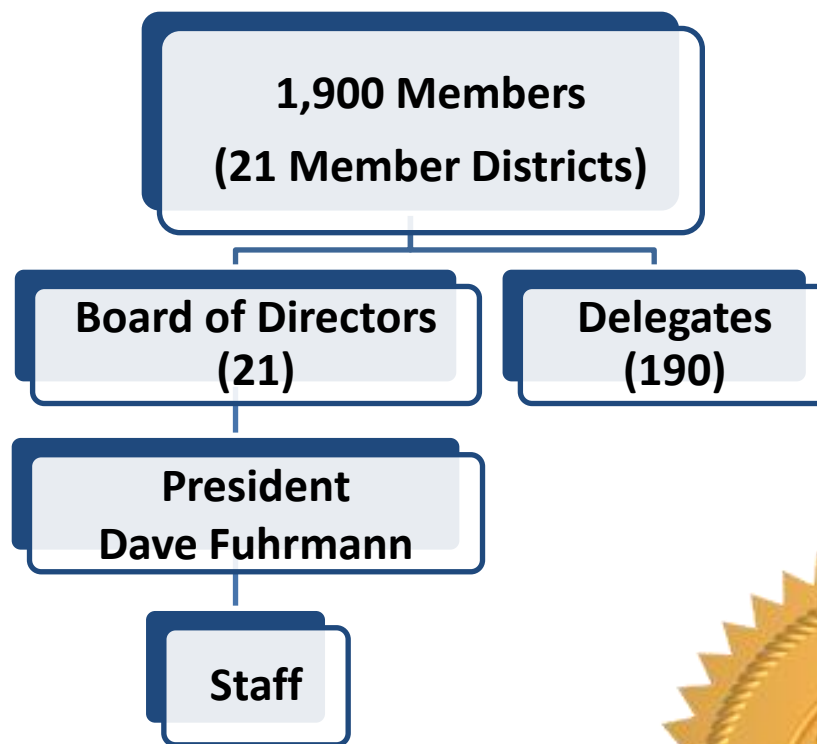
# An Overview

- **Established:** 1995
- **Member Milk Volume:** 5.7 billion pounds
- **Member-Owners:** 1,900
- **Products Manufactured:** Cheese, butter, whey ingredients and bulk fluid milk
- **FY 2011 Revenues:** \$1.7 billion USD
- **Employees:** 1,100
- **Rankings:** No. 8 in milk volume  
among U.S. dairy cooperatives  
No. 21 (*Dairy Foods* magazine)  
in annual sales among Top 100  
U.S. dairy processors





# *Our Structure*



# Our Membership and Processing Network



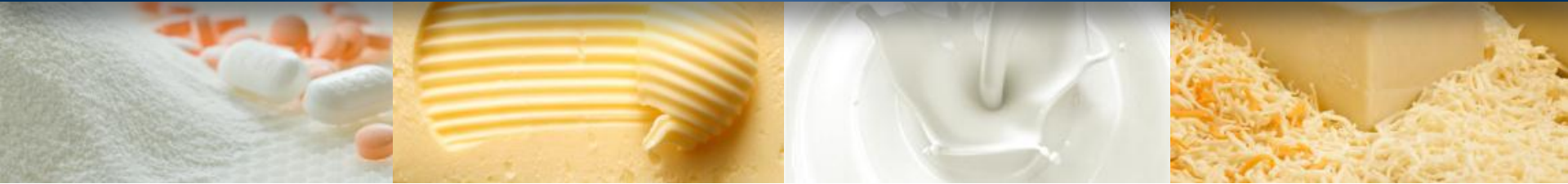


## *Background*

- Taxable marketing cooperative
- Incorporated in the State of Wisconsin
- Members pay no dues, check-offs, capital retains
- Member-related income is allocated back to each member based on the dollar value of business done during fiscal year



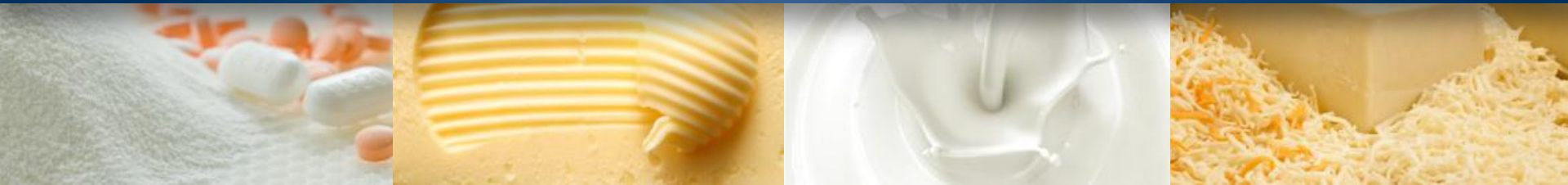




## *How was Foremost Farms capitalized?*

- Profit retained
- Debt
- Working capital

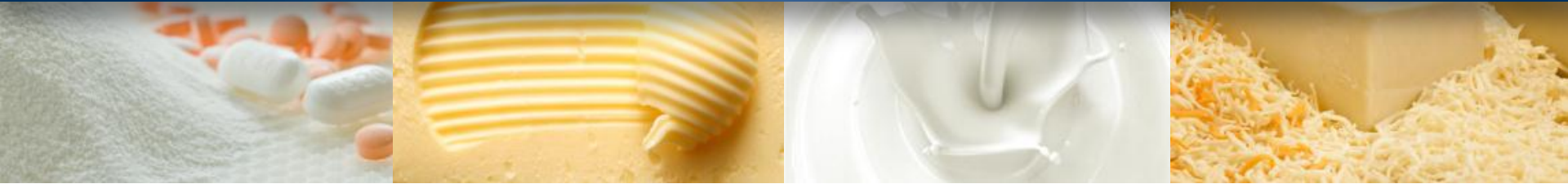




## *Why design a new equity plan?*

- Evolving ownership (fewer larger farms; member attrition)
- Desire to place ownership, control and financing into hands of current members (and in proportion to their use)
- Opportunities to better serve customers/enhance product profitability
- Provide a way to systematically revolve equity
- Capitalize for the long term



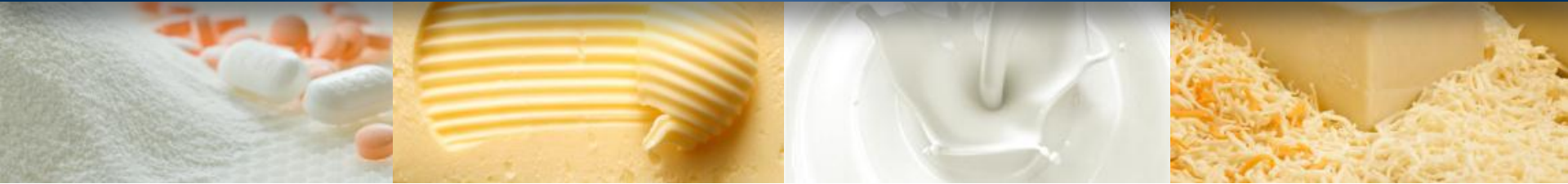


Plan Design

# ***WHO WAS INVOLVED IN PLAN DESIGN?***







# *Capital Structure Committee*

## **Committee Make-up**

- Key board members and board officers
- President
- CFO
- Outside management consultant
- Cooperative legal advisor
- Corporate legal counsel

## **Role**

- Establish direction and goals
- Finalize plan document
- Present recommendations to full board of directors

*Committee met several times over a two-year period*





# *Internal Cross-Functional Committee*

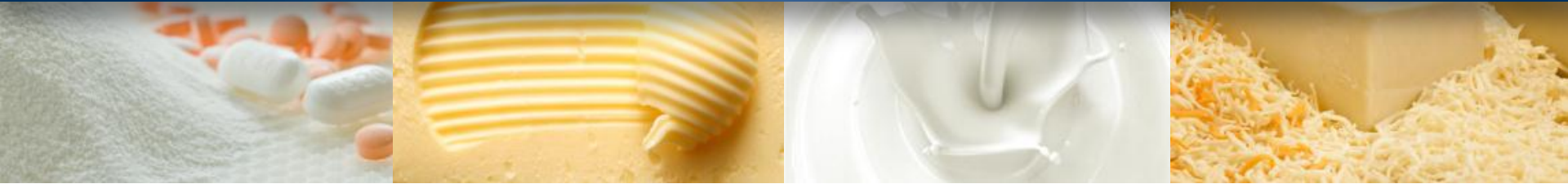
## **Committee Make-up**

- Finance
- Risk Management
- Procurement
- Communications
- Information Services
- Legal

## **Role**

- Brainstorm and troubleshoot plan options/name the plan
- Assess impact to members and various farm ownership structures
- Establish plan for inactive accounts
- Develop communication plan





## *Defining cooperative ownership*

- Determine appropriate level of investment by active members
- Establish guidelines for equity revolvment; including inactive equities





# Research

- Looked at other cooperatives that had recently implemented base capital plans
  - What were their successes?
  - What would they have done differently?
  - What worked well?
- Modeling helped determine . . .
  - What if's?
  - Financial target



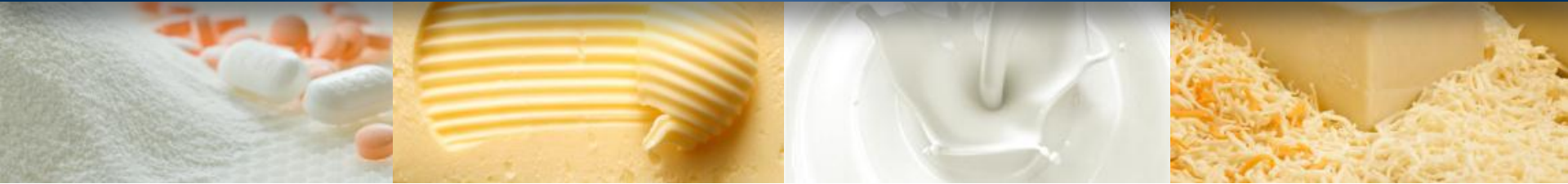


## *Key Tenets*

- Having highest ownership vesting with those who are currently using the cooperative
- Moving from age retirements to financial target
- Providing a plan for retiring inactive equity







## *Timetable and outcomes*

- **Sept. 2009** – Member district meetings  
Explain board's intent to develop a new equity investment plan
- **March 2010** – Member district meetings  
Provide update to members on the process
- **Sept. 2010** – Delegate meetings  
Update delegates on board's progress
- **Nov. 2010** – Board approves plan document

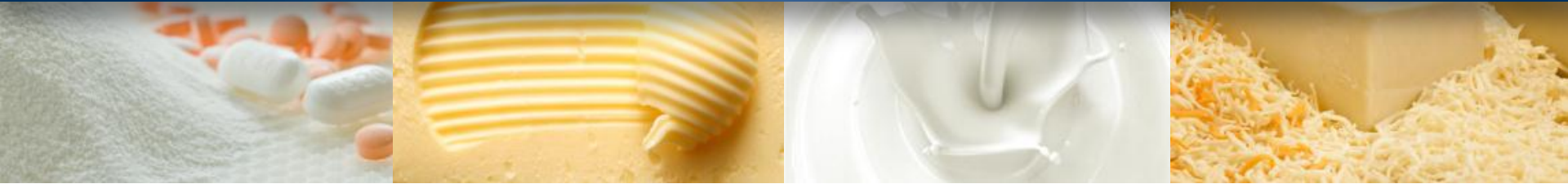




## *Timetable and outcomes, cont.*

- **Dec. 2010** -- Meeting with field representatives to explain plan
- **Dec. 2010** – Brochure mailed to members announcing new plan; mechanics
- **Jan. 1, 2011** – Equity Investment Plan in place
- **June 2011** – Equity statements mailed to active members
- **April 1, 2011** – Target level of investment statements mailed





## *Summary*

- Rollout was successful
- Involvement was key
- Truthful, ongoing communication
- Accomplished goal of implementing a structured equity plan

