

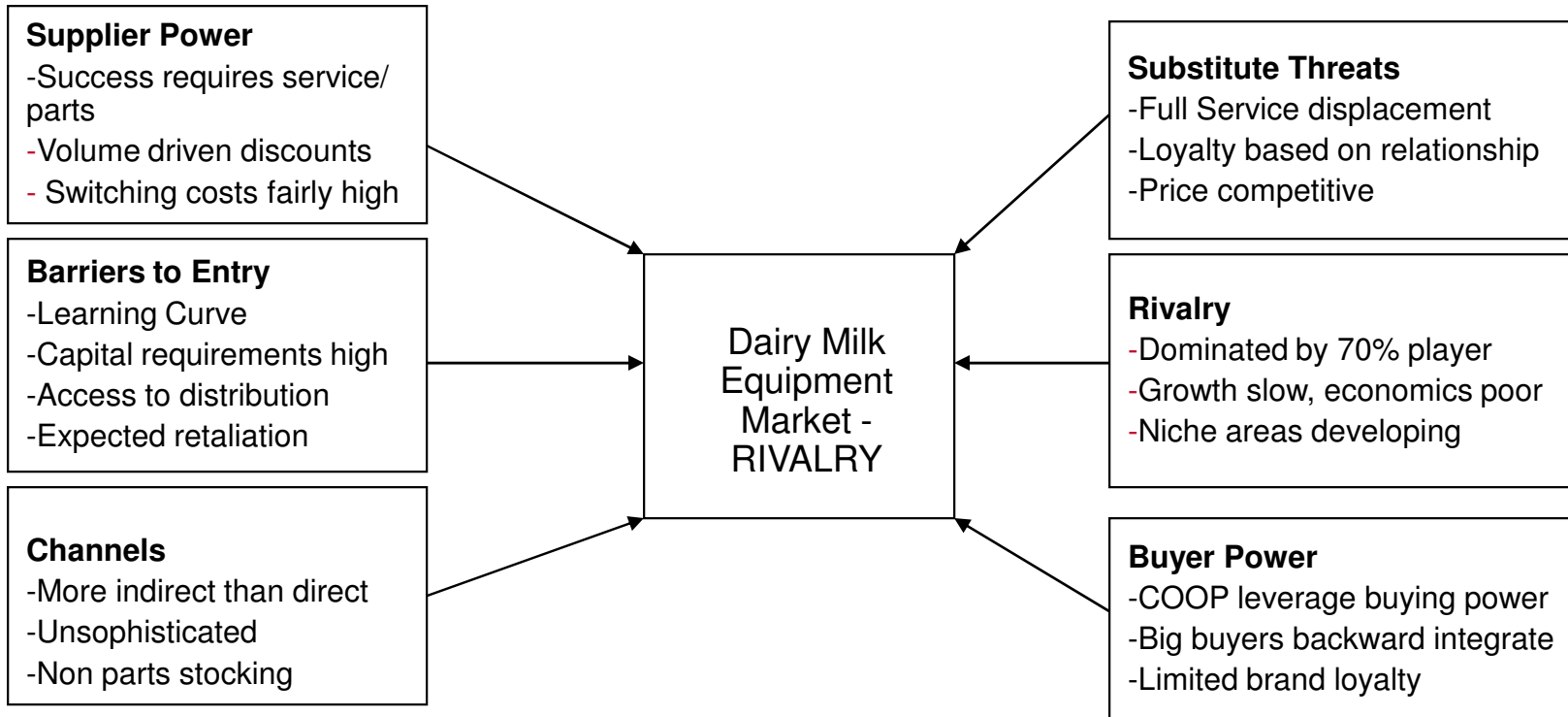
## **Dairy Market – Milking Equipment Opportunity**

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## Agenda

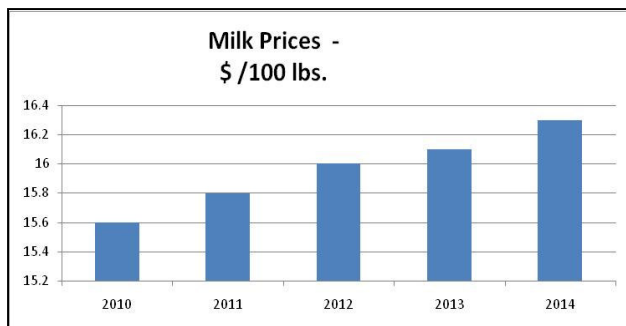
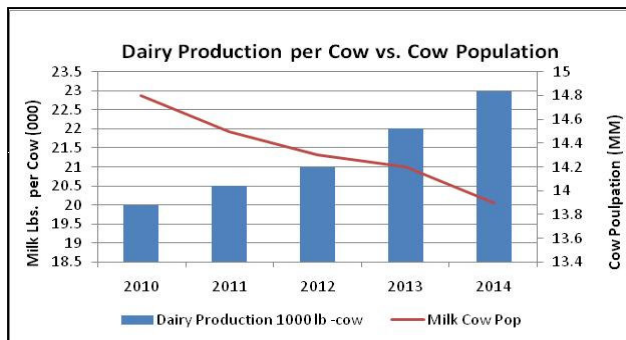
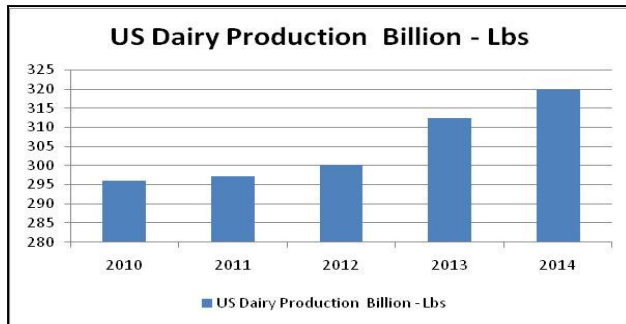
<b>1</b>	<b>Dairy Overview</b>
2	Markets and Customers
3	Suppliers and Channels
4	Opportunities and Risks

# Milk Equipment Manufacturers – Industry Dynamics



- Declining market, milk prices slow to grow, squeezing out weaker competitors with less efficient service and parts offerings. Dominant company has 70% of market with close rivals competing on new technology products and brand loyalty.
- Parts business on competitive consumables more fierce. Easy to source, lower barriers to entry especially for specialty channels like Internet and mail orders.

# Dairy Market – Executive Summary



## ■ Key Dairy Market Figures

- \$60 Billion Industry in 2008, slight decline ahead<sup>1</sup>
  - Over 200 billion pounds of milk produced annually
  - 50% in fluid milk, 25% Cheese, 25% other
- Demand fluctuates, with slight growth projected<sup>4</sup>
- Milk productivity to grow 3 to 7% despite head reduction
- Prices expected to improve slightly

## ■ Dairy COOPS

- Top 50 COOPs market 80% of all Dairy products<sup>2</sup>
- Accounts for over 46,000 of 60,000 dairy farms.

## ■ Competition

- Four key manufacturers: Delaval, GEA, Lely, Bou matic
- Delaval controls 70% of known North American Sales

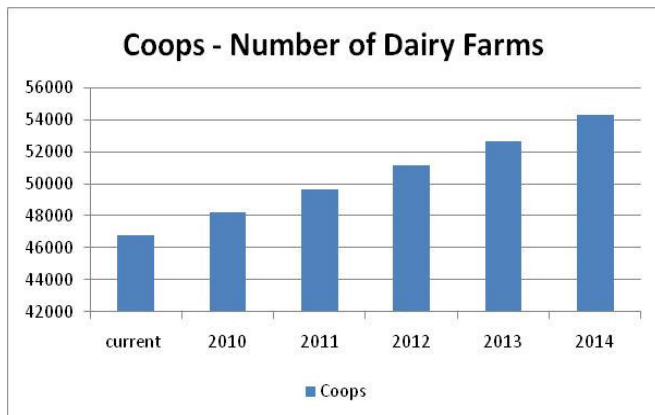
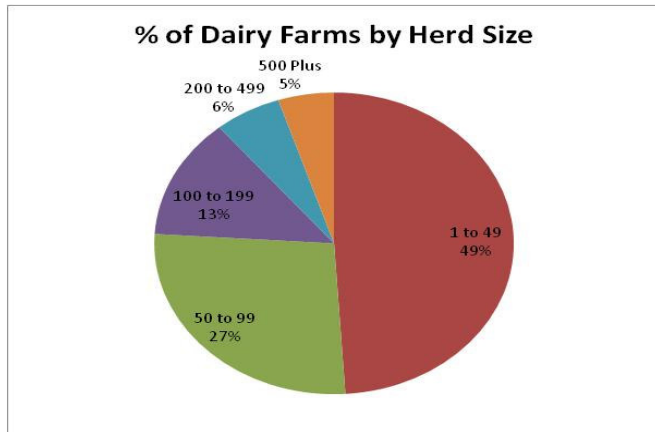
## ■ Equipment and Parts

- 2009 U. S. Sales between \$1.4 to \$2.0 Billion
- After-market parts estimated \$0.3 to \$0.6 Billion<sup>3</sup>

1. USDA, 2010 projections; 2. Hoards DairyMan, Oct, 2010; 3. Based on annual spend of \$4,200 for smaller and \$18,000 for larger farms. 4. Feb, 2010 – National Milk Producers Federation

## Dairy Market – COOPs and Dairy Farms

### **\$300 to \$600 MM After-Market Milking Equipment Parts Sales Opportunity**



- Top 10% of dairy farms account for over 50% of the after market parts sales.
- COOPs, top 50 sell 70% for farms, and provide buying services to members<sup>2</sup>.
- Largest COOP has over 10,000 dairy farm members – there a total of 196 COOPs (Hoards Dairyman)
- Mix of dairy customers on average spend between \$350 to \$1,500 per month on supplies or more, on 60 thousand or so farms, for \$300 MM to \$600 MM per year on parts and supplies<sup>1</sup>
- Distribution dominated by milk equipment provider routes and dealers; other channels account for ~50% with slight growth in Internet activity.

1. Hoard DairyMan, October 2010 2. Dairy Farmers Association – phonecall,