



A DAIRY INDUSTRY MULTI-CLIENT STUDY PROPOSAL

A COMPREHENSIVE ECONOMIC ANALYSIS OF THE GLOBAL DAIRY INDUSTRY

May 2008

Study Highlights

The full range of participants in the dairy industry have struggled to make sense of the recent increase in dairy prices, as well as the increased volatility experienced in the last few years. A clear understanding of the dynamics that have recently emerged, the duration of their influence, and the ways in which they will affect your firm is critical to successfully navigating the road ahead. **The Tipton Group, Inc.** and **Informa Economics, Inc.** have joined forces to produce a comprehensive economic analysis of the global dairy industry that will provide the understanding and forward-looking view that so many in the dairy industry have sought, but not yet found.

The analysis will identify, describe and measure converging forces of change and integration that have led to the current fledgling world market for dairy products and evaluate whether and to what extent future price surfaces for dairy products will be driven by global factors or more traditional country-by-country considerations.

While much of the focus in the industry has been on prices, there are important, enduring structural changes taking place that will affect the industry for years to come. The report and analysis will focus on the following items:

- How long will dairy prices remain at high current levels, and what will be the new price surface going forward?
- What is happening around the globe in terms of market demand, milk production, processing capacity, products technology, ingredients and trade activity?
- A balance sheet-analysis of milk production and consumption by countries and regions as well as projections for the future. Who will be the major importing and exporting countries?
- What new mechanisms are needed to facilitate price discovery, track and report global supply/demand conditions and provide international futures contracts
- What will happen to dairy trade with and without a new trade agreement and with new bilateral agreements?
- Is it possible to eliminate major trade barriers such as health and sanitation rules?
- How and to what extent will governments regulate the economics of the industry?

INTRODUCTION

The Tipton Group, Inc. and **Informa Economics, Inc.** are pleased to present a proposal to undertake “A Comprehensive Economic Analysis of the Global Dairy Industry.” These two, unique, organizations will combine talents to provide this much sought after strategic analysis. The study will address several major topics as described below and detailed further in the study’s outline.

STUDY PURPOSE AND JUSTIFICATION

Supply/Demand Appraisal

This analysis will offer a complete appraisal of the supply and demand for milk and dairy products in the coming years, with the goal of understanding the likely pricing trends in the near future. In the new global market for dairy, we are no longer just an interconnected web of national and regional markets, but are all subject to forces and developments around the world. Ultimately, price is determined by the relationship between the volume of milk produced and the amount demanded for consumption. While this balance is influenced by factors we cannot know (especially weather), a clear view of both production and consumption trends will help establish the influence and duration of the forces that have affected the industry in recent years.

Volatility & Price Discovery

Aside from a new price surface and a trend of higher prices, the volatility of prices has introduced new hazards for those unaccustomed to such wide and rapid movements in prices. Price variability demonstrated during the past few years calls out for new mechanisms and tools to reduce risk. The report will include an analysis of the new world price surfaces and what will drive regional differences, including discussion of possible new price discovery mechanisms and worldwide risk management tools.

Consumption & the Role of Emerging Markets

Demand for dairy products is growing rapidly, especially in developing countries. The surging economic growth in countries like Brazil, Russia, India, China, and the oil-producing states of the Middle East has had disruptive effects in nearly every commodity market, and dairy is no exception. This report will describe the dynamics of consumption growth and provide estimates of worldwide supply and demand balances, as well as for important geographical areas. Overlaid with a thorough discussion of processing capacity, transportation infrastructure, and available capital to meet these demands, the truly global market we have described will come into full view.

Raw Milk Production

The growth of mega-farm milk production facilities in many countries has improved efficiencies, reduced costs and created a wide disparity in milk production costs, within country boundaries as well as across national borders. This report will describe what is happening in major production areas of the world and how this consolidation of production capacity will affect sovereign farm dairy policies and trade. This may be the single most important influence on the new world market price surface and we will provide data and insight into what to expect, and from where, in the coming years.

STUDY OUTLINE

The report will be presented geographically and globally, enabling subscribers to understand what is happening in their geographical marketing areas as well as better understand the cumulative effects globally.

Additionally, the report will be encyclopedic, providing past data and information as well as future projections for a wide range of market influencers that will enable subscribers to better evaluate the situation in specific geographical areas, as well as the global consequences. Among the market influencers that will be analyzed and reported on in substantial detail are:

I. Raw Milk Production

- Governmental policies for various countries that will be major influencers
- Environmental requirements and limitations
- Alternative uses of feed and fuel for energy and the effect on milk production and costs (raw milk production structure)
- The growth of mega dairy farms in many countries
- Production costs (productivity, yields and efficiencies)
- Effects of cloning and other genetic technologies
- Use of milk production enhancing hormones
- Regulatory health and food safety requirements

II. Global Demands

- Demographics
- Growth trends and pattern changes
- Demand prospects by product
- Demand Gaps: new opportunities

III. Processing/Manufacturing/Transportation/Infrastructure

- An assessment of the adequacy and condition of existing facilities and infrastructure as well as an evaluation of available capital and desire to expand and upgrade capacities and capabilities
- An assessment of available technologies and the probability of adoption in various areas, including packaging technologies

- Structure of ownership and specialization of processing/manufacturing industries (includes implications for adequacy of financing new product and brand development; and production specialization, e.g. limited product outputs vs. multiple product plants)
- Assess the ability to develop the appropriate infrastructure to process, market and deliver the projected volume of raw milk production
- Cost data on processing raw material, distribution, etc.

IV. Market Development

- The plant-to-market route: assess and describe the sophistication and adequacy of the marketing route from plant to consumer
- How important and what are the capabilities of expanding markets through marketing, advertising, packaging, improved infrastructure, etc.
- New product introductions and branding
- Private label or generic marketing
- Retailer-wholesaler market development
- Food service

V. Value chain-wide analysis and conclusion relative to projected:

- Supply/demand balances
- Government policies
- Prices and price surfaces
- Major suppliers

VI. Market mechanisms needed to facilitate:

- Price discovery
- Risk management
- Imports and exports
- Supply/demand balances

VII. Comprehensive data base on a country-by-country basis for:

- Raw milk production
- Dairy products manufactured or processed
- Industry structure – plants, cooperatives, retailers, food service, etc.
- Consumption/production balance analysis
- Import/export balances
- Prices and price surfaces

VIII. Summary and Conclusions

- Business Implications
- Policy Implications

METHODOLOGY

The study's methodology will entail a unique blend of "desk research" and industry contact/content derived by a uniquely talented study team. The study team's exceptional industry databases, ability to establish new data series for new markets combined with proven economic and business analysis skills will underpin the breadth, depth and substance of this most important and pioneering study.

WHO SHOULD PARTICIPATE IN THIS PROJECT

This analysis will be an indispensable tool to firms throughout the entire dairy industry. For financial services firms engaged in mergers, acquisitions, investment and financing of dairy operations, the insight will allow for more informed decisions based on a clear understanding of prices and markets. For cooperatives, processors, and food and beverage companies, this study will help decision-makers evaluate these trends and developments with respect to products, market access opportunities, capital investment, supply arrangements and other key decision areas. Moreover, the study will provide value to policymakers and institutions involved with the worldwide dairy industry.

STUDY DELIVERABLES

Each participating client will be provided a copy of the study's findings in a unique presentation style format. The study's findings will be well-documented and underpinned with supporting evidence. The presentation style format will facilitate your own internal use of the study with its communication-oriented style enabling internal presentations to colleagues. The study team will present the study's findings to a group meeting of all subscribing organizations shortly after the report is completed. The date of this meeting will be announced a month or so ahead of time and a final revised copy of the study will be provided based on the post-study meeting.

STUDY SCHEDULE

June 2008	Kick-off (Via Participant Calls/Emails)*
October 2008	Study Complete
November 2008	Study Presentation (Memphis or Washington, DC)

* The study team will enable all participating organizations to provide requests regarding additions to the study outline or emphasis of particular topics. These inputs will be accepted through June 2008 and the study team will do its best to meet all requests.

STUDY FEES

The fees for participating in the study are US\$20,000 for Tipton/Informa clients. The study fees will be billed US\$10,000 upon the study's initiation and US\$10,000 upon report delivery in October 2008. The non-client fee for the study is \$23,000, billed in two equal installments (at initiation and in October 2008). Tailored presentations at a client's offices, by staff from Informa and/or The Tipton Group are available, for the cost of the related travel expenses, billed during the month of the presentation.

STUDY TEAM

The study team will be coordinated by Mr. E. Linwood Tipton, Chairman and CEO of The Tipton Group and Dr. Bruce A. Scherr, Chairman of the Board and CEO of Informa. They will be joined in the study's production and delivery by a talented combination of dairy specialists from each firm (see biographies below). As other personnel may be required, the study coordinators will enlist the required assistance.

SUPPLEMENTARY INFORMATION

BIOGRAPHIES

The Tipton Group, Inc.

E. Linwood “Tip” Tipton is Chairman and Chief Executive Officer of The Tipton Group, Inc. (TGI). TGI is a boutique consulting and lobbying firm located in Washington, DC, and provides consulting, advisory and advocacy services in a wide variety of fields to its clientele. Tip was President and Chief Executive Officer of the International Dairy Foods Association (IDFA). He managed the affairs of the Milk Industry Foundation (MIF), National Cheese Institute (NCI), and the International Ice Cream Association (IICA). Tipton is widely acclaimed as the driving force that founded the processor-funded generic promotion program famous for the Milk Moustache “got milk?” national campaign. He led the management of the program elements from inception until the end of 2003. He also founded the Bev Expo trade show, and the Worldwide Food Expo, held every other year in Chicago. He founded the International Sweetener Colloquium that brings about 500 participants from all parts of the world to discuss and debate U.S. and world sugar policy. He was co-founder, Chairman of the Board and Chief Executive Officer of a restaurant/motel company that operated 30 hotel properties from 1967 until 2000. He currently serves on the Board of Directors of the Wimm-Bill-Dann Foods Company, the largest dairy, baby foods, juice and water company in Russia. Tip was appointed to the National Commission on Agricultural Trade and Export Policy created by Congress and President Reagan in 1984. He has served as an advisor on trade matters to several U.S. Secretaries of Agriculture and U.S. Trade Representatives under both Republican and Democratic Administrations. He served on the board of the National Economists Club and the National Economic Education Foundation. Tip has undergraduate & graduate degrees in agricultural economics from the University of Missouri. Tip is a retired commissioned officer in the U.S. Army Finance Corp. Following military service, he worked as an economist for a large milk producers’ cooperative and later became executive director of an economic consulting service for milk companies in the northeast. Tip’s experience in business activities, the political arena, government relations, and international affairs gives him a unique and extremely knowledgeable perspective on the food industry.

Brandon N. Partridge is an experienced consultant and lobbyist with expertise in the food and beverage industry, agriculture, and international trade. As Vice President of The Tipton Group he consults with domestic and international clients on public policy, industry and market analysis, business development strategy, and import/export issues. Brandon began his career in Washington as Manager of Government Relations for Nestlé USA, the U.S.-based subsidiary of Nestlé S.A., the world’s largest food company. He was responsible for federal and state public policy issues including agricultural programs, trade policy, and tax matters. Before coming to the nation’s capital, Brandon spent several years in Columbus, Ohio with Governor Bob Taft, serving in both official and political roles. Mr. Partridge, originally from Cincinnati, Ohio, is a graduate of Vanderbilt University, holds a Master of Arts degree from the University of Cincinnati, and is currently in the MBA program at the Georgetown University McDonough School of Business. He lives in Washington, DC with his wife, Caroline, and their daughters, Ava and Polly.



Kenneth W. Bailey, Phd., is Associate Professor at Penn State University, and works as a consultant with Downes-O'Neill/FCStone. He is a collaborator with The Tipton Group on special projects. Ken is one of just a few PHD agricultural economists who specializes and focuses on the complexities of the U.S. dairy industry. His major expertise is in analyzing policy changes, international trade, and price forecasting. Ken has in depth knowledge of federal milk marketing orders, tariff treatment of dairy products under the WTO, and price formation. Ken recently developed a dairy industry database that computes a mass balance on milk components, estimates supply & demand balances, and imports/exports. He also has professional expertise in econometric modeling, time series analysis, and price forecasting. He recently completed an econometric model of the U.S. dairy industry that is particularly useful for short term price forecasts. Ken is licensed with the National Futures Association. He received his bachelor's degree in agriculture from the University of Arkansas, his Master's in Agricultural Economics from the University of Missouri-Columbia, and a Ph.D. in Agricultural Economics from the University of Minnesota.

Informa

Bruce A. Scherr, Chairman of the Board and Chief Executive Officer. Dr. Scherr has been with Informa Economics, Inc. (formerly Sparks Companies, Inc.) since 1987 in several executive capacities including President and CEO. In addition, he is an Advisor for Metalmark Capital LLC, a private equity fund. Formerly he was president of Sparks, Jacobs, Scherr, Inc. (SJS), a sister company to Sparks, and president of Agri-Commodities, Inc., an agriculture consulting firm based in Andover, Massachusetts, which was acquired by SJS. Prior to forming Agri-Commodities, Dr. Scherr was a divisional vice president at Data Resources, Inc., where he developed and utilized for the public and private sectors the first commercially available econometric model for US agriculture. Dr. Scherr received his bachelor's degree from Rutgers University and his M.S. and Ph.D. from Purdue University, all in agricultural economics. Currently, he is a member of the Board of Trustees of the North American Electric Reliability Corporation (NERC) and serves as a member of the Global Strategy Institute Advisory Council of the Center for Strategic and International Studies. He served as a member of the Board of Directors for Desert STAR Inc., an electrical transmission Independent System Operator for the Desert Southwest from January 2000 through February 2002. In addition, Dr. Scherr has served as a member of The University of Tennessee's (UT) Institute of Agriculture Agricultural Development Board and UT's Committee for the Future. He was recently named a 2007 Distinguished Agriculture Alumni from Purdue University and he is a member of several honorary research and agricultural societies, a member of the National FFA Foundation Sponsors' Board 2000 through 2001 and a former advisor to the President's Council of Economic Advisers and National Aeronautics and Space Administration.

Richard S. Andersen, Executive Vice President. As co-executive of Informa's Livestock, Meat, Poultry and Dairy activities, Dr. Andersen's primary responsibilities include research, client service and consulting. Prior to joining the company, Dr. Andersen was a regional extension economist for the Alberta Agriculture Department, a livestock market analyst and policy advisor to the Alberta Minister of Agriculture, and a research economist for Cook Industries, Inc. He received his bachelor's and master's degrees in agriculture from the University of Alberta and his doctorate degree in agricultural economics from The Ohio State University.

Rob D. Murphy, Senior Vice President. Dr. Murphy is co-executive of the Livestock, Meat, Poultry and Dairy Group with responsibilities including livestock and red meat research, price analyses, and the design and implementation of margin risk management systems. Much of his work focuses on methods of measuring and mitigating price risk exposures across a variety of commodities. Prior to joining the company, he was an economist in the research department at the Chicago Mercantile Exchange where he was responsible for maintenance of the CME's Live Cattle futures contract. He was involved in futures contract design issues, particularly the use of cash settlements in agricultural futures markets. In 2002, Dr. Murphy received the Premiere Forecaster Award for livestock production and prices from the American Agricultural Economics Association. He received his bachelor's degree in animal science and his master's degree in agricultural economics, both from Louisiana State University, and his doctorate in agricultural and applied economics from Virginia Tech, Blacksburg, Virginia.

William C. Motes, Executive Vice President. Dr. Motes is co-executive manager of the Informa Economics Washington, D.C., office, where his primary responsibilities include client consulting for international commercial clients and development projects. Formerly, he was a principal member of Economic Perspectives, Inc. and served as director of policy analysis for the Secretary of Agriculture (1979-81). Dr. Motes was associate director of USDA's Budget and Program Evaluation Office and also was legislative assistant for agriculture for US Senator Dick Clark. He holds degrees in agricultural economics from Kansas State University and received his doctorate in agricultural economics from Iowa State University.

Mark D. Jekanowski, Senior Vice President. Dr. Jekanowski is co-executive of Informa's Washington, D.C., office and is primarily responsible for economic analyses and agricultural policy research. Prior to joining the company, Dr. Jekanowski was an agricultural economist in the Food Markets Branch of USDA's Economic Research Service where his research focused on the changing structure of the food manufacturing and retailing industries as well as trends in consumer demand. Dr. Jekanowski was raised on a family owned tobacco and vegetable farm in Massachusetts. He received his bachelor's degree in resource economics from the University of Massachusetts at Amherst and his master's and doctorate degrees in agricultural economics from Purdue University.

John F. Whims, Senior Consultant. Dr. Whims has almost 20 years of experience in the area of strategic planning and business development in the public and private sectors. He has been the lead consultant for many federal, state and local government agencies and Fortune 500 food and agriculture business projects. His work has involved some of the following activities: evaluated the market potential and positioning of an emerging agricultural technology, conducted macro economic analyses of foreign and domestic economies, utilized input-output models for economic impact analysis, and developed risk management hedge programs. Prior to joining the company, Dr. Whims was in private consulting, conducting economic and financial analyses for the processed foods and agricultural commodity markets. He received a bachelor's degree in business administration from Greenville, Illinois, College, a master's of business administration from Central Michigan University, and his doctorate in agricultural economics from Michigan State University.

Nate L. Donnay, Dairy Analyst. Based in Informa Economics' Eagan, Minnesota, office, Mr. Donnay is primarily responsible for fundamental research and analysis in the dairy markets. In addition to conducting dairy sector analysis, Mr. Donnay works with Informa's dairy sector clients in developing purchasing and pricing strategies for both fluid milk as well as dairy sector products. With the company since 2005, Mr. Donnay received his bachelor's degree in economics from Winona State University in Minnesota.

Nathan L. Payton, Analyst, Feed Ingredient and Dairy. Mr. Payton is based out of Informa Economics' Eagan, Minnesota, office where he performs research and analysis for the company's dairy and feed ingredient publications. He received his bachelor's degree in both economics and business administration from the University of Wisconsin-River Falls with coursework focusing on econometrics and forecasting.

Don E. Ault, Vice President (Retired). After retiring from Informa Economics in December 2006, Dr. Ault is now an independent dairy business consultant while also chairman of Dairy Finance Associates, Inc. (a dairy business development firm). While at Informa, Dr. Ault was based out of the Informa Economics St. Paul, Minnesota, office. His primary responsibilities included development of dairy research and consulting. Prior to joining the company, Dr. Ault was president of AG•NOMICS Research, Inc., New Brighton, Minnesota, a full-service research and consulting firm specializing in economic and market analyses in agribusiness industries with considerable emphasis given to the dairy industry and its commodity markets. Before his work at AG•NOMICS, Dr. Ault served as corporate economist and a vice president of Land O' Lakes. He has been active in a number of trade groups and has served three US Department of Agriculture secretaries as an advisor to the GATT negotiations and as chairman of the Dairy Agricultural Technical Advisory Committee. He received his doctorate in agricultural economics from the University of Missouri.

About The Tipton Group, Inc.

The Tipton Group is a boutique consulting firm in Washington, DC, founded by E. Linwood “Tip” Tipton in 2003, upon his retirement as President and Chief Executive Officer of the International Dairy Foods Association. Building on Tip’s 40 years of service to the dairy industry, The Tipton Group specializes in food and agriculture issues, providing its roster of domestic and international clients with consulting, advisory and advocacy services.

About Us

With diverse backgrounds in business, economics, agriculture, politics, public policy, government and industry leadership, the team at The Tipton Group is well-positioned to help support any company or organization with aspirations in the food and agriculture sectors. The firm offers a wide array of services tailored to meet the needs of its clients, whether they are national trade associations, multinational corporations, or small family-owned firms. Among the services offered by The Tipton Group are:

- **International trade consulting**
 - The Tipton Group advises clients on Customs issues, including tariff classifications, trade policy matters and regulatory trade requirements, including product definitions, standards and import/export food product sanitation requirements.
- **Strategic planning**
 - Working with senior management, The Tipton Group has developed strategic business plans for management, marketing, sales and leveraging new business opportunities through our advanced understanding of the dairy and food industries.
- **Mergers and acquisitions**
 - Through a mutually exclusive agreement with Rabobank International, The Tipton Group works with clients and potential partners to facilitate mergers, acquisitions, and capital development in the food and agriculture industry.
- **Business development**
 - Leveraging our unmatched network of relationships in the dairy industry, The Tipton Group has developed business and sales opportunities for clients involved with commodities as well as value-added and finished products.
- **Market analysis**
 - The Tipton Group conducts evaluations of supply and demand conditions to advise clients on the viability of business opportunities in the U.S. and abroad.
- **Lobbying and advocacy**
 - To support the adoption of public policies that advance our clients’ business goals, The Tipton Group conducts legislative and executive branch advocacy programs relating to agriculture programs, tariff and trade policy, and other relevant policy areas.

About Informa Economics

Informa Economics, Inc. (formerly known as Sparks Companies, Inc.) is a world leader in broad-based domestic and international agricultural and commodity/product market research, analysis, evaluation and consulting. The company was founded in 1977 and, in 2003, was acquired by Informa plc ("Informa") as part of its AGRA division. Informa Economics, Inc. serves hundreds of firms, institutions and trade organizations worldwide from our headquarters in Memphis, Tennessee.

The company's professional depth and experience allow us to provide a wide range of services related to the economic and management concerns of clients. Underpinning these services, our principal strengths lie in an expansive information base and a professional and experienced staff.

Representing Informa Economics' primary asset, our employees are well-trained and seasoned researchers and consultants with extensive backgrounds in business and government; most hold advanced degrees in agriculture or related fields. The Informa Economics team has extensive experience in worldwide agribusiness and agricultural policy decision-making. Many Informa Economics employees have gained insights from past government service in senior policy, analysis and advisory positions; from major trade associations; from land grant universities; and as senior officials of leading agribusiness companies.

The world's agricultural and food industry is expanding and remains in a constant state of change. Successful businesses and institutions must deal with rapidly shifting market conditions that are driven by international influences, technological innovations, policy shifts, weather conditions, emerging consumers and fluctuating consumer preferences. To continue succeeding in this environment, businesses must have access to reliable market information and authoritative economic consulting services. It is Informa Economics' economic expertise and diverse client base that combine to provide unique insights, risk management and strategic planning for agribusinesses around the world.

In its role as a world leader in comprehensive commodity, food industry and agribusiness research and consulting, Informa Economics offers several broad categories of services:

- Research/Analysis/Evaluation
- Business Consulting
- Education/Training
- News/Communication
- Energy

About our Parent Company

Our parent company, Informa plc, is the leading provider of specialist, high quality information to the global academic, scientific, professional, and commercial markets via publishing, events, consulting and training. Informa publishes approximately 2,500 subscription based products and services, has a book backlist of over 35,000 volumes, organises some 10,000 events worldwide each year and has a database of approaching 22 million names. It has an unparalleled portfolio of brands including Lloyds List, Routledge, Taylor and Francis, IIR and Euroforum. Informa employs approximately 7,000 people operating out of 150 offices in 42 countries and doing business in 70. Informa is listed on the London Stock Exchange.



ENROLLMENT FORM

- Yes, I want to participate in the special multi-client study, entitled “*Comprehensive Economic Analysis of the Global Dairy Industry.*” The cost of the study is US\$20,000 for Tipton/Informa clients and US\$23,000 for non-clients.

Return Form to Informa Economics, Inc.
Via Fax to (901) 766-4471

- 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 us with questions:

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