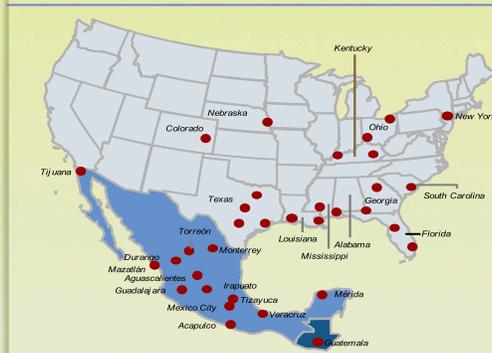




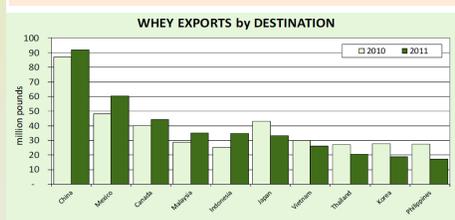
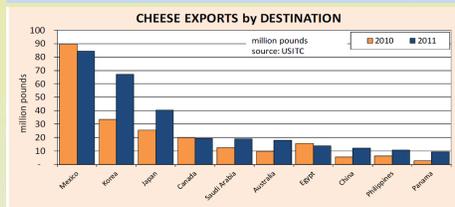
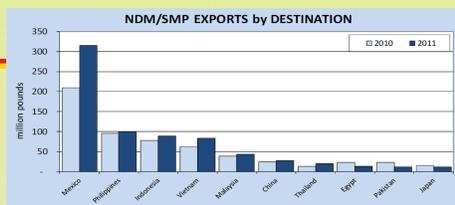
**Grupo LALA – U.S., Mexico and Central America**



- ✓ Borden Dairy Company is a wholly-owned subsidiary of Grupo LALA, S.A.
- ✓ Grupo LALA was established 1949 in Mexico and is owned by dairy farmers
- ✓ The company has grown to sales of \$6+bn through acquisitions and organic growth
- ✓ In 2009 Grupo LALA acquired National Dairy gaining a significant U.S. presence
- ✓ In 2011 the company changed its U.S. name from National Dairy to Borden Dairy Company
- ✓ 41 manufacturing facilities in Mexico, U.S. and Central America
- ✓ 35,000 employees operating 41 manufacturing facilities and 236 distribution facilities in Mexico, U.S. and Central America

## Mexico is US's largest dairy trading partner

- Mexico produces ~212 lbs of farm milk for every person.
- US produces ~640 lbs of farm milk for every person.



## Borden has a rich history Dairyman's 10 Commandments -1850

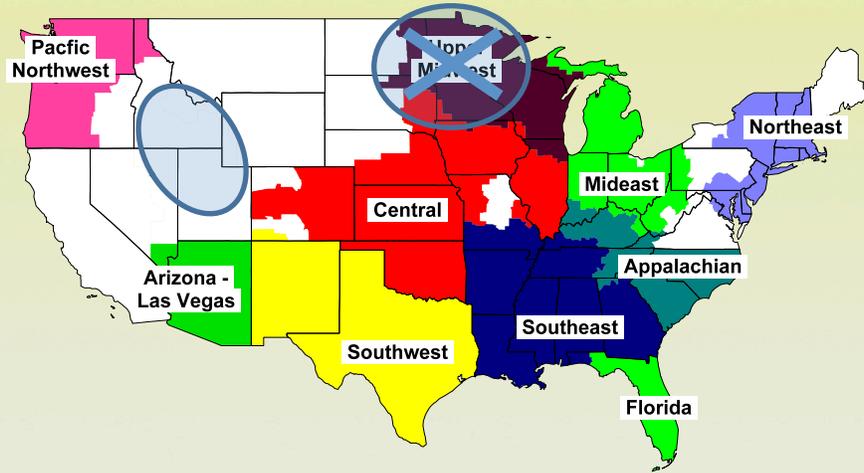


1. Thou shalt not abuse or worry thy cow
2. Thou shalt not starve or stint thy cow for food, nor give her poor, innutritious, or unwholesome feed of any kind whatsoever, but an abundance of that which is palatable and good for her system, that she may keep in good flesh, have a smooth coat, and a clear eye
3. The water that thy cow drinketh shall be pure
4. Thou shalt give thy cows ample shade in the summer and a warm shelter in the winter; and the latter shall be kept clean and sweet, and be, withal, well ventilated; a clean bed to lie on
5. When thou milketh her, thou shalt lead her apart into a cool, quiet place, where there is naught to disturb her or make her afraid
6. Thou shalt be clean, and thy milking-vessels thoroughly washed and scalded, and everything about thee neat and clean,
7. Thou shalt cool thy milk as soon as drawn from the cow, by using the best appliances at thy command
8. Thou shalt not water thy milk
9. Thou shalt not skim thy milk by taking off the cream
10. Thou shalt not commit adultery by adulterating thy milk with any ingredient or compound whatsoever

Authored by Gail Borden

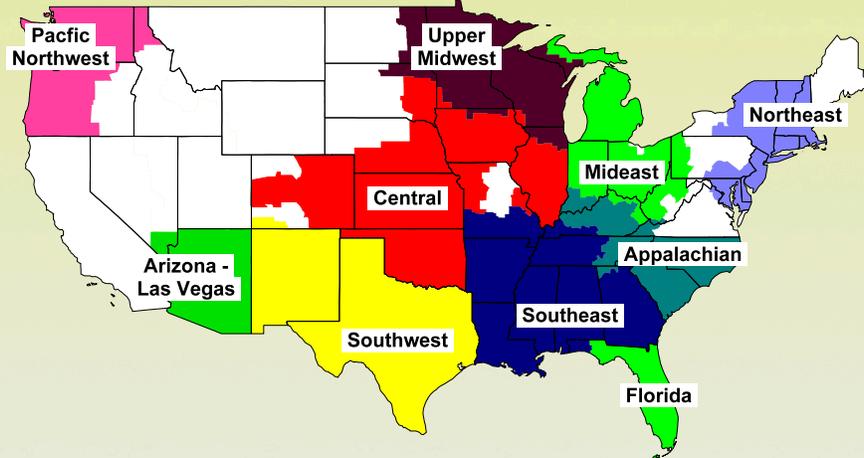
## Price Discovery

Terminate FMO 30 and use the new non-regulated competitive manufacturing prices in the red Midwest & Western FMOs to determine a new competitive price



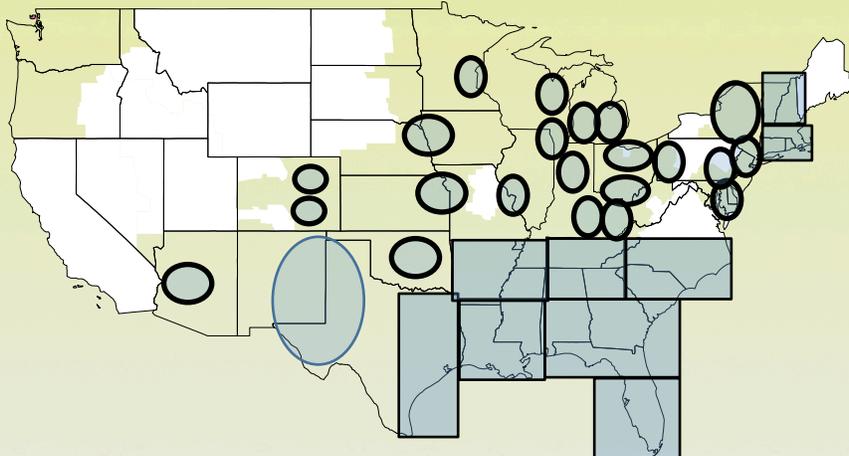
## Federal Orders – “Current”

Large geographic FMO Areas distorts Class I price signal to producers



## Federal Orders – “Future”

### More FMOs with smaller marketing areas



## Suggestions



### 1. More FMOs with smaller areas

- Large geographic FMO Areas distorts Class I price signal to producers
- Class I price is not so much the problem but rather the problem is that Class I dollars are not returned to producers actually supplying the market.
- If large FMOs, then use Direct Delivery Differentials to encourage milk movements.

### 2. Eliminate Product Formula Pricing

- Terminate FMO 30
- Use competitive (non-regulated) manufacturing milk prices in old FMO 30 & FMO 135 to develop a new manufacturing price.
  - Local FMMOs can adjust for seasonality if needed
  - Local FMMOs can adjust for butter/powder if necessary
- Eventually move to pooling only Class I Differentials

### 3. Permit Class I Forward Contracting