

Members' Purchasing Efficiencies Propel All Star Assn.'s Growth

by Pete Hardin

Narrow profit margins for many dairy and food processors demand ceaseless searching for cost-related savings and efficiencies. The All Star Dairy Association (All Star) provides members with volume purchasing efficiencies for a wide range of inputs – from milk cartons to delivery trucks.

Here's a partial list of inputs available to All Star's members, which include dairy and food processors, suppliers, and dairy transportation firms (over 25 rigs): Diesel fuel, tires, packaging, delivery logistics, uniforms, sanitizers, resin for blow-molding plastic jugs, sweeteners, ingredients, parts, fleet graphics, office supplies ... you name it! All Star combines the purchasing power of over 200 dairy and food processors to yield major cost efficiencies. All Star member firms come in all sizes of operations – big, medium and small.

One long-time All Star member, Robert Mertz (general manager of Schneider's Valley Farms operations at Williamsport, Pennsylvania), cites the group purchasing efficiencies as a key factor that allows small- and medium-sized dairy processors to maintain cost competitiveness with "the big boys." Schneider's Valley Farms has been an All Star member for 30 years.

In the analysis of *The Milkweed*, it's hard to find a dairy trade association that demonstrably benefits members' bottom line financials better than All Star. From of the association's modest location tucked away in an office park complex on the west side of Lexington, Kentucky, member purchases of goods and services through All Star totaled over \$375 million in 2010. That volume of annual purchases is administered by a staff of nine full-time employees and one part-timer. Do the math: All Star registers about \$37 million in annual dollar volume per employee!

A tremendous efficiency at All Star is the computerized invoicing system, that requires virtually no human oversight.

Here's how that system works: members order purchases directly from supplier. But suppliers invoice All Star. In turn, All Star computers invoice members for their total accumulated accounts payable from all All Star suppliers.

History

The All Star Dairy Association was founded in 1958 by John Utterback. Previously, Utterback had operated Franchise Marketers — a business offering common marketing strategies to dairy processors. Utterback contracted Hopalong Cassidy – a 1950s-era cowboy star of television and cinema – as the marketing personality to promote milk for participating fluid milk and ice cream processors. (Hollywood doesn't make many clean-cut movie/TV heroes like "Hoppy" anymore!)

Partial List of All Star's Goods/Services Offered

by All Star Dairy Association

- Truck tires
- Trucks
- Forklifts (and parts)
- Ingredients and flavorings
- Uniforms
- Diesel fuel
- Cream
- Plastic resin
- Sweeteners
- Freight services
- Packaging materials
- Fleet graphics
- United Parcel Services
- Employment listings
- Point-of-Purchase displays
- Automobiles
- Crates, pallets, totes
- Plant equipment and parts
- Refrigeration



Here is all the All Star team. Seated L-R: Frank Mason, Jolene Weir, Mindy Hutchinson, Teresa Bradley and Bruce Daily. Standing L-R: Jim Sutton, Doug Eikenbary, Jeff Sterne, Jeff Hoogerheide and Greg Bryant.

In 2010, All Star turned total revenues of \$375 million with nine and a half employees.

In late 1958, dairy processors belonging to Utterback's organization suggested evolving into a buying group, structured with similar purpose to the Quality-Chek and Allied Purchasing organizations. Thus, All Star was refocused.

Shifting All Star to a purchasing association was timely. The 1960s and 1970s, witnessed this nation's Interstate highway system create longer lines of dairy supply and distribution. The Interstate highway system helped accelerate a big decline in numbers of local dairy processors, as that sector consolidated. (Note: the evolution of dairy's big producer cooperatives – Mid-America Dairymen, Inc. and Associated Milk Producers – also occurred in the late 1960s for better or worse.)

All Star's management and directors continue to recalibrate the association's directions. In recent years, the group has expanded membership growth strategies to include other food and beverage processing sectors, as well as large-scale milk transportation firms. Jeff Sterne, All Star's executive director, explains that non-dairy food processors use many of the same inputs – forklifts, sanitizers, uniforms – as do dairy processors. So shifting towards growth in other sectors of food processing is a wise strategy, as the number of U.S. dairy processors continues to consolidate, and margins remain narrow for many.

In recent years, All Star has dropped the "Dairy" portion of the name from daily use, even though the association is chartered under corporate laws in the state of Delaware as the "All Star Dairy Association." By eliminating "Dairy" from everyday use, management believes it's easier to extend membership recruitment to non-dairy food processing firms.

Membership

All Star's membership includes over 200 dairy and food processors, milk transportation firms, and suppliers. Annual membership cost: \$900 per year per firm. Member firms are located in the U.S., Canada, and Puerto Rico. Deadbeats need not apply.

All Star requires applicants demonstrate both financial performance and history. Prospective members must have an established history in the business and a solid credit rating, along with intent to participate in All Star's purchasing programs. That solid credit history is critical, because All Star guarantees payment to suppliers for purchases ordered by members.

Networking

Both formally and informally, All Star provides a platform for members to network with each other. Without charge, the association provides an employment bulletin board so that job seekers and member employers may connect. Perhaps more importantly, the synergy among members at annual meetings and other events allows dairy firms' executives to learn

about each others' operations and relate what processing and marketing strategies work best. Dub Garlington, president of Plains Dairy, values the opportunity for "learning different ways that plants accomplish" their operations. He's visited numerous other members' plants, as well as hosting visitors at Plains Dairy's facility in Amarillo. Garlington relates how he can talk freely with processors from California or the Carolinas, knowing that they share common challenges but will not be direct competitors. (Garlington has been an All Star director for more than a decade. Plains Dairy is 100% owned by Affiliated Foods – a cooperative of grocers. Plains Dairy packages fluid milk, bottled water, tea products, orange juice, and fruit drinks.)

Staff: deep experience

All Star's staff features deep dairy experience:

Jeff Sterne joined All Star in 1992, following 16 years in sales and management with Pet/Land O'Sun Dairy in the Southeast. Sterne recollects how, in the early 1990s, he sought out John Utterback's counsel regarding future employment opportunities in dairy, following Land O'Sun's inglorious financial collapse. Utterback – legendary for his no-nonsense, direct approach – listened to Sterne's dairy background and employment predicament (following his employers' bankruptcy), and simply asked Sterne, "When can you start?"

Jim Sutton serves as All Star's senior vice president. Sutton counts 30 years in the dairy industry; he has been at All Star since 1995. Sutton worked in finance and management at a variety of firms in New York, Pennsylvania, West Virginia and Ohio – including stints with Crowley's and Borden's.

Doug Eikenbary – regional vice president of sales – counts some 30 years' experience in dairy, beverage and bottled water industries.

Greg Bryant – regional vice president of sales – brings top management experience in soft drink, dairy, water, juice, and plastic container sectors. He joined All Star in 2006.

Frank Mason is All Star's office manager and accountant. Frank's service with All Star goes back to 1984. His responsibilities include keeping abreast of cutting-edge accounting and invoicing technologies.

Jeff Hoogerheide is All Star's controller and participates in purchasing. He also runs equipment and fleet purchase programs. Hoogerheide has served with All Star since 1982.

Bruce Daily, a relatively "new arrival," is All Star's director of purchasing. Bruce came to All Star in 2007, following 20+ years of service with Publix

Studying Dairy Products at Kroger Stores

by Pete Hardin

When traveling, I like to visit “foreign” supermarkets – that is, supermarket chains other than those found around home in southern Wisconsin. Studying the displays of dairy products – fluid milk, cheese, ice cream, yogurt, butter, etc. – is a continuing education.

On a recent trip to Kentucky, I had the opportunity to scrutinize two Kroger supermarkets, in Louisville and Lexington. Kroger – one of the leading food retailers in the nation – is well regarded as a solid supermarket chain. Some observations ...

Fluid Milk – Virtually all of the fluid milk packages were Kroger’s in-house products. Kroger operates its own fluid milk plants in the Mid-east and Southeast regions, and thus has access to a relatively efficient supply of milk. Intriguingly, in the far corner of the dairy case, Dean Foods’ fluid milk products enjoyed scant, top-to-bottom facings that were no more than about three feet (or so) wide. Why anybody would buy Dean Foods’ milk at one of those Kroger’s is a mystery. For half-gallons, Dean Foods’ milk was priced \$1 higher than Kroger’s store brand. \$1 per half gallon more!

Yogurt – Kroger’s far-ranging facings of yogurt are an honest reflection of the gains enjoyed by consumer purchases of yogurt. But we’re seeing more and more yogurt price wars! Chobani – now the nation’s leading marketer of yogurt – was bargain-priced at the Kroger “Market Place” (a superstore) at ten six-ounce cartons for \$10. In September, I had seen Chobani yogurt priced at 5 for \$5 at a Marc’s store in a Cleveland suburb. Conversations with dairy case employees indicated that the special price deals helped propel Chobani yogurt off the shelves even faster than the stuff normally sells.

Kroger’s in-house yogurt brand was conducting its own cost war at the low end of the price spectrum: 5 six-ounce cups for \$2, or \$.40 apiece. Should have tried Kroger’s in-house yogurt, to get a reading on its quality. But the ingredients list seemed pretty clean (relative to the MPCs and other unrecognized dairy ingredients in the likes of some Yoplait and some Activia yogurt products).

Cheese – The wide spectrum of cheeses available at the Kroger’s Market Place in Lexington was

thrilling, even if some of those fancy imports are not my cup of tea. DCI Cheese (Richfield, Wisconsin) is a major supplier higher-end cheeses to Kroger. Near the deli and fancy cheese part of the store, DCI provided an elaborate, loose-leaf binder full of educational material titled, “The Cheese Explorer.” That material rested atop its own wooden podium and gave great detail about several dozen different kinds of cheese – history and use. I have never seen such in-depth, educational material at a supermarket, and compliment DCI on that effort, even if a good number of those cheeses didn’t originate in “America’s Dairyland.”

Boar’s Head – perhaps the leading supplier of quality meats and cheeses to the delicatessen trade – was well represented in the Kroger deli and also offered packaged sliced cheeses elsewhere in the store. When you buy Boar’s Head, you’re buying quality products.

Among the conventional (everyday) cheeses, one could detect Kroger’s pricing policies doing a 1-2 on Kraft Foods’ products, just as Kroger was whupping Dean Foods’ fluid milk prices. A 16-ounce package of Kraft slices (“Pasteurized Processed Cheese Product”) was priced at \$4.99 per pound. Kroger’s competing, store-brand entrée (“American Singles”) was priced at \$3.19 per pound – a huge \$1.80 per pound difference!

Small wonder that Kraft Foods has lost massive market share to store-brands in the wide variety

of processed cheese products in the past several years. Kraft’s processed cheese products tend to be high priced and full of Milk Protein Concentrates and fillers.

In the natural Cheddar department, Kroger again hammered Kraft Foods’ prices. Kraft Mild Cheddar was priced at \$6.59 per pound. Kroger’s store brand competitor was \$5.99 per pound – a \$.60 per pound difference.

Ice Cream – Alas! For the first time in my 60-plus year career as an ice cream destroyer, I met “Blue Bell” ice cream at Krogers. Blue Bell is a legendary dairy brand in the Southwest, produced at Brenham, Texas. Unfortunately, there was no way I could morally justify buying a half-gallon of Blue Bell ice cream to sample the product. Next time!

The ice cream cases at the Kroger store also reflected a troubling (at least to big ice cream eaters) trend: demise of the five-quart plastic pail package. We’re seeing fewer and fewer firms putting up ice cream in five quart pails. By golly, a family can have a lot of reasonably-priced fun for several Saturday nights at home with a five-quart pail of ice cream.

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www.themilkweed.com

No Chobani “Bump” for NYS Milk Prices

by John Bunting

Production growth at the South Edmeston, N.Y. has been nothing short of phenomenal. Milk is being hauled long distances to the Greek style yogurt plant.

Conventional wisdom would have predicted that dairy farmers in New York State should have benefited from the growth at the Chobani plant which began production in 2007.

USDA compiles and publishes dairy farm “mailbox” milk prices. New York is listed separately from New England. New England has historically had a higher “mailbox” price than New York. But, there appears to be no increase to New York State farmers to accompany the increase in New York State yogurt production.

Comparing New York State’s “mailbox” price with New England yields the following:

New York Farm Mailbox Prices As Percent of New England Prices

2007	95.5%
2008	94.4%
2009	93.8%
2010	93.4%
2011	93.6%

Comparing September 2011 Class II utilization with September 2006 indicates 103.5 million pounds more milk was used for Class II.

There appears to be no farm milk price bump as a result of the dramatic increase in Greek-style yogurt production within New York State. Obviously, the market system is failing New York dairy farmers.

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Supermarkets (based in Lakeland, Florida.) At Publix, Bruce held a variety of responsibilities involving dairy purchasing and management.

Mindy Hutchinson is All Star’s credit manager and accountant. She oversees all aspects of member credit processes. Mindy has worked at All Star since 2002.

Jolene Weir is an accountant and administrative assistant at All Star. She is a Certified Public Accountant and has worked at All Star since 2002. Jolene assists in payments, and has the important duty as the association’s convention coordinator.

Teresa Bradley is telephone receptionist and a wide-ranging administrative utility player on the All-Star team.

Member comments

Bob Mertz of Schneider’s Valley Farms (Williamsport, Pennsylvania) has belonged to All Star for three decades, and has twice served as president of the board of directors. When queried about membership benefits, Mertz details a long list of attributes for All Star – most importantly, volume-based group purchasing discounts that keep key costs in line with bigger competitors. Tires represent a key buying efficiency through All Star, Mertz relates. “How many tires do you go through on tractor-trailers?,” he asks rhetorically. Through All Star, Mertz’ firm has access to tires from many national brands at a discount.

Schneider’s Valley Farms uses the All Star logo on its packaging, but that’s just the beginning. Networking with other All Star members allows his firm to efficiently contract for items such as ice cream and coffee creamers. Mertz notes the value of jawboning (“over that third glass of milk”) at the annual All Star convention, where members seek common dealings.

Mertz also emphasizes the value of educational seminars and workshops – held at the All Star convention and offered separately by expert industry firms such as Randolph Associates, Inc. (food safety, quality, labeling, processing, etc.), Herbein + Company, Inc. (accounting and software), and Data Specialists, Inc. (in-plant product flow efficiencies, producer payroll systems, inventory management, bar code tracking, etc.).

Dub Garlington of Plains Dairy echoes comments by Mertz: “All Star has certainly helped level the playing field on purchases. It would be hard for many dairies to compete without this association. All Star is badly needed for independent and smaller processors to compete with the big boys.”

Chuck Turner, president of Turner Dairy Farms (Pittsburgh, Pennsylvania), points to two big values that All Star participation brings to his firm: purchasing efficiencies and quality control. “We have participated in the purchase program for 20 to 25 years. Some things we can buy through All Star better [than individually].” Turner emphasizes that as the industry consolidates, it’s important to maintain competitive buying power with the bigger competitors.

Turner also puts great stock in the All Star University programs that continually monitor and improve quality control. For example, Programs conducted by the Alabama-based Randolph and Associates firm provide both internal and external benchmarks for dairy product quality and taste, Turner details. The Randolph staff communicates well with dairy plant employees, and understands practical, day-to-day dairy plant operations.

Another perspective comes from Gary Dake, head of Stewart’s Shops Corporation (Saratoga Springs, New York). Dake’s firm operates 328 Stewart’s convenience stores in New York and environs. He explains that as a vertically integrated, in-house operation, Stewart’s Shops Corporation is not a typical dairy processing operation. For Stewart’s Shops Corporation, the primary value of All Star is for the “power of the buying group.” All Star’s track record with plastic resin purchases (for blow-molding milk jugs) ranks high with Dake.

To summarize comments from these and other members, one of All Star’s major strengths is competitively priced variety of inputs – kind of a buyers’ smorgasbord. Members voluntarily ante up for the products and services they need – with full opportunity to buy elsewhere if they can find better prices from a source other than All Star.

For more information about All Star, go to the firm’s Web site at:

www.allstarassociation.com