

# STATE OF THE INDUSTRY

## 2009 EXPORTER OF THE YEAR



# Cultivating Global Business

**Hilmar aggressively pursues new markets for its cheese and dairy ingredients.**

To hear the folks at Hilmar Ingredients talk, the company's export success began almost by chance with, as they say, the "happy accident" of location.

Specifically, the Port of Oakland – one of the world's busiest container ports – lies just over an hour away by freeway from its parent Hilmar Cheese Co.'s headquarters in Hilmar, Calif.

"This proximity opened nearly half the globe to our products," says Kevin Vogt, vice president and general manager, ingredients.

It was, of course, up to the company to capitalize on that geographical good fortune — and capitalize it did.

Understanding its logistical advantage and foreseeing rising global demand for dairy ingredients, Hilmar Cheese Co., with its Hilmar Ingredients business unit, made the decision to strategically pursue export markets.

Even though the domestic market remained the company's "bread and butter," it viewed exports at the outset not as a sideline, but as a primary contributor to the welfare of the whole operation and an integral component in overall growth. That philosophy eventually helped make Hilmar Ingredients one of the United States' foremost international suppliers of dairy ingredients and earn it the 2009 Exporter of the Year award.

The annual award, sponsored by the U.S. Dairy Export Council and *Dairy Foods*, goes to the company that best demonstrates leadership in driving global dairy demand and U.S. dairy exports, commits resources to export market development, posts significant export sales and makes exports a key part of its overall growth strategy. Hilmar Ingredients exceeds on all fronts.



■ Jay Hicks, Hilmar chief financial officer; Kevin Vogt, vice president, general manager, ingredients; Phil Robnett, vice president, cheese; and John Jeter, chief executive officer and president.

"We have a strong willingness and long-term commitment to serve global markets and, as a result, we devote the resources necessary for this very important part of our business," Vogt says.

Nowhere is that more evident than the sharp focus it puts on customer service and delivering products suited specifically for clients' functional needs. Customer service and customization "is something we do every day," Vogt says. "We have developed our staff to accommodate the special needs of foreign markets."

The company cites favorable exchange rates, improvements in shipping and logistics, and rapidly growing populations and incomes in China and India as some of the reasons for its success.

"But our interest in the world market is not just about market fundamentals. It's also about the knowledge value of the interaction," Vogt says. "Both sides learn something and the outcome is an advance in understanding that moves your thinking forward,

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whether it's in new product uses or new appreciation of culture and attitudes. The fundamentals keep us profitable, the interaction keeps us energized and adroit."

Some products have been specifically tuned for foreign markets, such as Hilmar 8800, an alphalactalbumin-enriched whey protein concentrate that suits Asian demands for specialized nutritional products like infant formula and sports recovery beverages.

"Hilmar Cheese has built substantial volume and a considerable revenue stream off of global markets by making sure it is very customer focused, particularly with Hilmar Ingredients' whey and lactose ingredients, but in recent years with its cheese business as well," says Marc A.H. Beck, USDEC senior vice president, export marketing. "That's why the company epitomizes what the U.S. industry should emulate: a dairy supplier that builds commitment to the opportunities that global markets collectively present."

### Spreading out

Hilmar Ingredients began exporting in 1994, shipping its first container of lactose to Japan. The success it found in its efforts to develop markets in Asia created new opportunities to marry lactose with whey proteins for use in infant formula.

"Our edible and refined lactose is easily bundled with our whey protein hydrolysates for infant formula in markets like China and India who are experiencing birth booms," says Bernard Corkery, general manager, lactose. "The development of our high-purity refined edible lactose and pharmaceutical lactose has also broadened our export possibilities with new end uses and new countries of interest."

These days, Hilmar Ingredients supplies lactose and whey protein products to more than 40 countries, and Hilmar Cheese Co. has a growing cheese export business.

"The Japanese, in particular, have been impressed with the consistency and quality of our cheese, and their hunger for typical American fare is quite an opportunity," says Phil Robnett, vice president, cheese.

Over the past year, as U.S. dairy exports in general struggled in the face of global recession and flattened demand, Hilmar Ingredients lifted its shipment volume by 4%.

The company has been instrumental in helping drive U.S. lactose sales this year, making the category one of the few that exhibited growth. U.S. lactose exports increased 6.5% to 121,746 tons through the first seven months and posted high double-digit gains in June and July, possibly an early indication of a broader international dairy market rebound.

"Our export strategy hasn't wavered. The markets we tend to focus on have been little impacted by the global crisis," Vogt says. "We've seen that the downturn has been offset by several positive factors, including an industrialization of nations. As countries develop, they increase their demand for dairy, whether it's in infant formula, where our whey proteins and lactose are strong, or popular foods like pizza, burgers and tacos, which is helping to grow our cheese business."

Hilmar Cheese Co. and Hilmar Ingredients facilities and services are ISO 9001:2000 certified, and the company follows Good Manufacturing Practices and a Hazard Analysis Critical Control Points program at every stage of production.

Its products are halal and kosher certified, an absolute requirement when servicing many Asian and Middle Eastern

markets. All products are also GMO-free and conform to European Union standards. And the company's USP lactose meets additional quality standards, such as international pharmacopoeia requirements.

### A look to the future

Moving ahead, Hilmar Cheese Co. and Hilmar Ingredients expect continued export growth. A new plant in Dalhart, Texas, commissioned in 2007, was designed primarily to serve the domestic marketplace. However, the proximity to the Port of Houston puts Mexico and Central and South America at its door, not to mention other international markets not already conveniently served by the Port of Oakland.

Together, the Dalhart and Hilmar sites handle more than 17 million pounds of milk per day, attesting to the company's supply capacity. Continuous and large-volume runs deliver consistent and reliable product composition, the company says.

It plans to start phase two of Dalhart in 2010, expanding cheese, WPC and whey protein isolate production.

Increasingly, the pressures of time, health and economics are causing consumers around the world to demand more than simple sustenance from their foods and beverages, Hilmar Ingredients says. Dairy ingredients, such as whey proteins and lactose, fit those needs.

"There's the excitement of entirely new markets and applications for our products. It is a dynamic time with health and nutrition issues as well as demographic and economic changes in developing countries," says Tony Pallios, director of global ingredient sales. "Certainly emerging markets such as China pose great growth potential to a company like ours which has also adopted a growth strategy."

Hilmar Cheese Co. and Hilmar Ingredients are looking ahead with a hopeful but watchful eye. Although the company more than weathered the global recession, President and Chief Executive Officer John Jeter sees potential trouble from nations fueled by political pressure to implement increasingly protectionist policies.

"This is where the strong relationships we've forged with customers and distributors in export markets and our interaction with industry programs like USDEC can be helpful," Jeter says. "It's also essential that we keep our representatives in Congress aware of the value of dairy to economies all along the continuum, from our local economy here in Hilmar, through the United States and even into the global economy."

The company has come a long way from non-exporter to trade advocate, and far from simply envisioning the potential of its geographic placement.

"While we are fortunate in our location, it's the fact we have valuable ingredients the rest of the world needs and our commitment and investment in supporting our products and our markets that have proven key to our exporting success," Vogt says. "The demand for dairy is worldwide, but not all regions can produce the desired products. That's where U.S. exports can help—with our efficiency, technology and quality product, we can serve the needs of markets around the world." ■

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*Hilmar will be presented with its Exporter of the Year Award on Nov. 17 during "USDEC's Global Dairy Outlook: 2010," a webinar hosted by Dairy Foods. Visit [www.dairyfoods.com](http://www.dairyfoods.com) to register for this free event.*

