

Shamrock Foods:

A Family Company With Foresight

When it comes to the dairy industry, it isn't surprising that Arizona's Shamrock Farms stands out from the herd.

After all, the 81-year-old company has a long history of producing quality products and being good to its employees. And innovation has never been put out to pasture.

Privately-held and family-owned and operated, Shamrock was founded in 1922 by W.T. McClelland. The Irish immigrant launched his dairy business in Tucson with a few cows, a small processing plant and a Model T truck for deliveries. In 1949, after World War II, his son Norman joined the business.

Now Chairman and CEO, Norman McClelland identified Shamrock's need to have a presence in Phoenix, the center of the state and a major population base. With that in mind, one of his first initiatives was to purchase 10 acres of land in the Valley – which the company is still based on today – and build a processing plant in 1956.

"During this time, through the late '50s, home delivery of milk was the backbone of the dairy industry," explained Mike Krueger, Senior Vice President and General Manager of Shamrock Foods Dairy Division (known as Shamrock Farms).

That however, soon changed, and Shamrock Farms along with it.

By the early 1960s, the once prevalent Mom and Pop grocery stores became fewer and fewer as supermarkets arrived on the scene. Shopping at those supermarkets became the consumers' favorite way to get their milk, and before long, the milk home delivery business became primarily a thing of the past.

"Our business transitioned in a short time," Krueger said. "We went from home delivery to a business-to-business supplier to grocers."

A modern-day success story

Today, Shamrock Foods is the largest dairy in the Southwest and among the top five privately-held Arizona-based companies. It has a herd of approximately 7,500 cows, which produce 25 percent of the milk used for its products. In addition to processing 70 million gallons of milk annually, the company's products include whipping cream, sour cream, cottage cheese, ice cream and frozen novelties. Shamrock Foods also has two broadline food distribution divisions, one based in Phoenix and the other in Denver. Together, those divisions ship 50 million cases yearly to establishments such as restaurants, hospitals and schools.

While much has changed over the years, Shamrock Foods remains a family business true to its heritage. The company has been led by second-generation chairman Norman McClelland for more than half a

century. He is joined by his sister Frances, who serves as corporate treasurer; and son Kent, who is president and chief operating officer.

Unlike many family businesses that struggle to obtain capital to fund continued growth, Shamrock Foods is committed to reinvesting its profits to fund growth rather than distributing dividends to shareholders as most public companies do.

Being a privately-held family business has another advantage as well. The company can take "a long range view in terms of strategic direction," according to Krueger. Without having to be overly focused on the quarter-to-quarter performance numbers reported to public shareholders, Shamrock Foods can make the moves that position the company for continued success.

One example of this, according to Krueger, is the company's entry into the Colorado food service market. Despite initially facing larger, more established competition, Shamrock Foods has climbed its way to nearly the top over the years.

"It wasn't a quick proposition. But today, we're the number two distributor in the market and we're nipping at the heels of the market leader," said Krueger. He added that Shamrock Foods' Colorado division is now a key contributor to the company's overall revenues.

On the Shamrock Farms side, the company's foresight enabled it to recognize the value of building its own extended shelf life (ESL) plant. Opened in June 2001, the facility gives Shamrock the ability to put 82 days of code life on its products, which in turn enables it to serve a larger geographic area.

"It has been a start-up business. But because of our long-range vision, we were able to do it," Krueger said.

Always an innovator

That ESL is more than an example of Shamrock Farms' ability to look past the present and into the future good of the company. It's a tremendous testimony to the company's commitment to innovation.

According to Krueger, Shamrock Farms had grown to the point that "it was difficult to see if continuing growth opportunities remained." Not content to let its business stagnate – and bolstered by its past success with converting paper pints into plastic packaging – the company constructed the ESL plant on its Phoenix campus.

Now celebrating its two-year anniversary, the plant is the only one of its kind in Arizona and thought to be one of only eight across the nation. Functioning as a separate processing operation, the plant takes traditional milk processing to new high-tech levels as ultra-high temperatures are used to sterilize not only the product, but also the bottle and its cap.

"We're committed to making the best product. Top of that, we strive to be innovative with processes and ways to reach consumers. Through it all, it's our people who make it all happen."

Mike Krueger

Senior Vice President and General Manager
Shamrock Foods Dairy Division



Mike Krueger

Senior Vice President and General Manager
Shamrock Foods Dairy Division

Education: Attended University of Toledo

Career: Been with Shamrock Foods for 25 years, joining the company in 1978. Worked for 10 years in the company's food service divisions, joining the dairy division in 1990.

Personal: Born in Toledo, Ohio. Married 25 years with one daughter. Enjoys golf and fishing.

Industry involvement: Serves on the board of the Milk Industry Foundation and Milk Industry Council, as well as the executive board of the local Milk Producers' Association.

Last books read: Reads the Bible. Also read "The Purpose-Driven Life," by Rick Warren.

With standard pasteurization, milk is heated to temperatures of 172 degrees for 20 seconds. This kills pathogenic (disease-causing) organisms and sterilizes the milk. By comparison, the extended shelf life process enables Shamrock Farms to take milk to 200 degrees for two seconds, effectively sterilizing the product.

Of course, putting sterilized milk in a non-sterilized container would defeat the process. So, Shamrock Farms' ESL process is equipped to sterilize packaging – both the cap – by treating it with a chemical sanitizer. After a sterile water rinse and drying in a sterile air chamber, packages are filled in a sterile air chamber.

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"At the end, we have a package of milk with zero bacteria," Krueger said. "We can put 82 days of code life at manufacturing and we have yet to find a product failure in the marketplace."

By comparison, Shamrock Farms puts a code date of 16 days on its regularly pasteurized products and guarantees their freshness for seven days beyond that. Impressively, 98 percent of the company's product is still good at 23 days. This, Krueger pointed out, speaks to the quality of the company's processing.

Shamrock Farms' 12, 20 and 32-ounce plastic bottles containing white milk and flavored milks are produced at its ESL plant. Because the process is more expensive, it isn't used for plastic gallons of milk. Those, Krueger explained, are enjoyed by consumers in short time and therefore don't require an 82-day shelf life.

What does benefit from the ESL process are Shamrock Farms' "beverage milk" or flavored milks, such as its vanilla and strawberry offerings. With a greatly extended shelf life, such products can be put through a regular distribution system rather than resorting to direct store delivery. Other benefits include reduced returns and broader flavor varieties for consumers.

"Retailer response to our ESL has been positive. It enables them to be in the beverage milk business and grow their sales in that category. Consumers get more choice of flavors, variety and package convenience," Krueger said, noting that the containers fit in cupholders. Additionally, an extended shelf life enables consumers to confidently

stock up without a spoilage problem.

Quality people and products

While innovation no doubt is key to Shamrock Foods' success, Krueger is quick to note that the company's commitment "to quality in our people and our products" is paramount.

Shamrock Foods has approximately 2,200 employees, who Krueger said were "extraordinary" at all levels, from drivers to plant operations and warehouse workers to those in sales, marketing and management.

Regardless of their position, those employees enjoy a unique working environment. "Our culture is best described by Norman McClelland, whose motto is that we 'treat all our customers as friends and our employees as family.'"

Shamrock Foods' quality people are matched by its quality products. According to Krueger, the company has set its processing specifications above FDA requirements. For example, while the FDA says raw milk received for processing must be at 45 degrees, Shamrock Farms requires that milk to be even colder -- at 40 degrees or less. And while the FDA calls for tanks to be washed and sanitized every 24 hours, Shamrock Farms insists that they're washed and sanitized after every single load.

Both retailers and consumers can count on the company's trademark quality to go into its new NSA (no sugar added) products. Expected to hit shelves this summer, the products include one percent chocolate

milk and two flavors of single-serve cottage cheese -- strawberry-banana and apple-cinnamon. The NSA products contain Splenda, a natural, sugar-based sweetener.

"We're launching these because there are so many people who are carb conscious. They provide all the great flavor without adding additional carbs," Krueger said. "We're really excited to roll these out to consumers looking for reduced levels of carbohydrates and calories."

Supporting the community

Dedicated to giving back to the community, Shamrock supports a wide variety of worthy organizations on an ongoing basis. For example, the company works with the Arizona Cactus-Pine Girl Scouts on its cookie sale program, plus provides an annual scholarship. In addition to sponsorship of the City of Hope's walk to cure breast cancer, Shamrock features pink ribbons on its one-gallon milk products throughout October. Topping all this off is a partnership with St. Mary's Food Bank, support of more than 80 local nonprofit organizations annually, and the donation of more than 80,000 pounds of food monthly.

Put it all together, and Shamrock Foods' success is as simple as one, two, three: commitment to quality people and products, commitment to innovation, and commitment to the community.

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Tracks and created some exclusively NSA ice cream like Turtle Sundae," Inness said.

He added that Blue Bunny also has created no sugar added Champ Cones and an NSA line of ice cream sandwiches, including vanilla with chocolate wafer, vanilla with vanilla wafer, and mint with chocolate wafer. "These are great for people who want the taste but not the added sugar," he said, pointing to today's increasing rates of diabetes.

In May, Blue Bunny sponsored the Good for You media tour, which featured nationally known nutrition expert and author Hope Warshaw, who also has been spokesperson for Splenda. During radio and television appearances, she emphasized how people could satisfy their sweet tooth while choosing healthier foods such as products with Splenda.

Quality and safety are key

Whether it's a product with Splenda, a Disney product, or any other Blue Bunny product, both consumers and retailers can count on it being top quality. Blue Bunny products are made with real, whole fruit and other quality ingredients, and with an attention to food safety.

"We work with others in the industry and with state and federal regulators on safety issues and continually re-examine our standards to make certain our products are safe," Inness said. "Like others in the

food industry, we take this issue very seriously."

Specifically, the company's food safety efforts include allergen control and making sure labeling is correct to protect consumers with allergies or sensitivities to certain foods. Products also are consistently tested as they are produced to ensure they meet strict quality specifications.

Focused on safety beyond its own operations, Blue Bunny also regularly audits and works with its suppliers. For instance, the company works with the farms that provide it milk to enhance their security and food safety. "We also share knowledge with other groups through trade associations," Inness added.

Hopping with excitement

Blue Bunny's ice cream plants, which Inness called "incredible" and "state-of-the-art," are located at Wells Dairy's headquarters in Le Mars, Iowa. A third plant will open in St. George, Utah, in August. That's something that Inness, whose region includes Arizona, Salt Lake City, Las Vegas, Albuquerque and El Paso, is very excited about.

"That will help us in serving the western U.S.," he explained. Inness expects to get all packaged ice cream products for his region (which is also served by Retail Sales Supervisor Kevin Wohlgenuth, Direct Store Delivery Supervisor Jerry Heisler, and nine other full-time employees including sales

representatives, merchandisers and re-setters as well as 22 part-time vendor stockers) from the new Utah facility once it's operational. Additionally, he hopes that the new plant may enable him to get product sooner if needed.

Along with bringing its new Utah plant online, Blue Bunny is expanding yogurt production in its Omaha, Nebraska milk plant. These and other facility expansion projects are all part of Blue Bunny's goal to become a national brand.

"We are still considered a 'regional producer,'" Inness said. "Over the next couple of years, that will change as we pursue national distribution."

Given that it was only 10 years ago when Blue Bunny made a strategic expansion move and entered the Phoenix market -- now one of its key geographic areas -- this means just one thing. You can expect Blue Bunny's popularity to multiply across the nation like, pardon the pun, bunnies.

