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Speech on The 3rd International School Milk Meeting

Development of School Milk Market to Strengthen the Health of the Nation

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“School Milk Program” (SMP) is a long term strategy for improving physical quality of the whole nation. With the assistance of seven ministries and commissions of the State Council and officials from Shanghai government, Shanghai Education Committee held Shanghai SMP Promotion meeting in Jan. 2000.

In May 2001, Shanghai People’s Government issued *Implementation of “School Milk Program”(Provisional) Notice”* and *Shanghai “SMP” Temporary Administration Regulations (Provisional) Notice”*, which enhanced the development of Shanghai School Milk Program.

The second Asian & Pacific Area SMP Meeting was held in Shanghai in Nov.2001, which furthered the promotion of School Milk Program in Shanghai. Until Sep.2002, Bright Dairy School Milk Co.,Ltd has supplied 1374 primary and high schools with 500,000 boxes of school milk per day.

After that, school milk market suffered from doldrums owing to less experienced promotion in initial phase and the affect of SARS. Nevertheless, Bright Dairy School Milk Co.,Ltd insisted striving for its market share and revitalized the market after two years endeavor , it finally stepped into a new phase of business.

The amount of Bright Dairy school milk reached 10811 tons in 2004, which is 25% higher than the ratio in 2003. The daily amount by the end of 2004 reached 300,000 boxes, which supplied 691 schools (including 413 schools in Shanghai and 278 schools outside of Shanghai). We aim to reach daily supply of 500,000 boxes in

2005.

With the spirit of “ Summarize experiences, guarantee quality, subject to buyers’ willingness, never unify the market needs, apply market mechanisms,” -Premier Wen’s direction for SMP, we recalled the implementation of school milk program during the past several years, we have conducted aggressive exploration and reformation and achieved remarkable results.

I would like to report it from the following three aspects:

- 一. Launch SMP from administrative and marketing approach, form multiple level sales network

SMP is a special program implemented with the direction of government, as a result, the guideline and backup of government is very important. On the other hand, due to the condition of market economy, enterprises will have to strive for support from government as well as itself further development based on market mechanisms. The market situation in Shanghai is no different with many other cities of the country, climax and doldrums has accompanied its development. The whole market is facing reliving. Bright Dairy has implemented the following strategies:

1. Established Specialized “Bright Dairy School Milk Co.,Ltd”

SMP is a long-term task, which is under the dual orientation of government and market. Bright Dairy, from the long run viewpoint, reformed its school milk supply system and made organizational marketing changes amid harsh market situation It was changed from a single sales firm into an independent firm specialized in providing milk sources, processing, sales, logistics and after sales service, which also received integrated reorganization and systematic management.

2. Multilevel Market Development Formed Supply Network in Schools

School Milk Co.,Ltd has cooperated with enterprises supervised by education organizations and established supply network in Shanghai. Integrated logistics and communication chain has been formed from marketing department, sales department to schools and enterprises as well as part time specialized administrators in schools. We overcame hardships and actively exploited school milk market, which laid a solid foundation for entirely resuming SMP in future.

3. Implement Strategies of Developing Shanghai Market and Out-of-Town Market

It is the social responsibility for School Milk Co.,Ltd to process and supply school milk. We shall serve Shanghai as well as the whole country. This is not only a responsibility but also the needs for business development. We have developed our marketplace in East of China and South china with the assistance of local government and education organizations and cooperation of local distributors, 1/3 of the total amount of Bright Dairy school milk has been marketed to schools in other provinces and cities.

Optimized supply chain and quality line has formed key competitive edge.

Since school milk involves government, schools, enterprises, parents and other parties, its promotion has encountered various problems. We have realized that government's promotion is the exterior power for motivating SMP; market needs is the interior power; guaranteed quality is the life for the integrated combination of interior and exterior power.

Accidents of adverse reaction to school milk happened during the process of SMP implementation within last several years, from which we have learned lessons. The main symptoms of the accidents are as below: Firstly, factor of physical reason. A

few number of students in some schools suffered from adverse reaction after taking school milk; Secondly, factor of social background, every September and October is the peak season to witness food poisoning accidents. Other food accidents can affect school milk market; Thirdly, factor of management, irregular operation in logistics process resulted in deteriorated milk. Actively exploring strategies of enterprise interior quality management to guarantee school milk quality and safety has been the key issue determining the success of SMP promotion.

After the reformation of School Milk Co.,Ltd, we have always regard quality as the life of enterprise. Improving supply chain has been upgraded as the key competitive edge, which we are implementing from mechanisms to personnel. We keep interaction with schools in business operation. We stress quality, principles, implementation, cooperation and service in five procedures ranging from contracted farms, designated representatives in factories, logistics supply, specialized administrators in schools to service before and after sales, and has shaped a rigid quality guarantee system for the whole procedure.

1. Contracted farms. Endeavor to supply Bright school milk with best fresh and non- antibiotic original milk.
2. Designated representatives in factories. Representatives will be in charge of products quality in the first line, including whole procedure monitoring ranging from raw and supplemental materials, production places, warehouse to inspection of final products, to guarantee there is no unqualified products being delivered from factories.
3. Established logistics department to guarantee products quality, introduced marketing competition system to select best vehicles teams and established school milk specialized warehouses. School milk supply was deployed with

specialized personnel and vehicles.

4. Direction before sales and service after sales, designated specialized administrators. We launched training for all positions as well as imparting products knowledge, after sales service training to school milk specialized administrators. Each trainee was distributed a training course textbook. All the staff must take their positions with corresponding qualification certificates. We have launched 47 terms of training program and 3882 trainees received the training within four years. Before everyday school milk distribution, specialized administrators will check all the packs and picked out the leaking bags, bulgy bags and stained bags in time, we will award 5 bags of fresh milk for one unqualified box found.

5. Established emergency response mechanisms and constituted draft dealing with emergencies, established supervisory team response emergencies.

The quality of Bright school milk received underlying guarantee from one year's practice. There was no accident of quality in 2004, ratio of clients complaints declined below one out of 100,000, ratio of timely response to clients' complaints reached 100%, which paved the way for Bright school milk from the east of China to each corner of the world.

三. Complying with market operation mechanism, to develop diversified marketplaces.

School milk basically meets to the needs of students' communities. It calls for marketing motivation to cater to various consumers' needs and to strive for its market share and to lead the market. We have taken the following steps:

1. Diversified products categories based on the brand of Bright Market and consumers orientated, School Milk Co.,Ltd has developed new products

every year to cater to the changing favorite flavor of students in the special market of schools. We developed school milk with lactic acid flavor at the beginning of last year, after two months of sales, the products has accounted for 15% to the total monthly sales amount of school milk. We developed banana flavor and cantaloupe flavor series of Bright school milk this year. There are total 8 different flavor of Bright school milk is available for students' choose at present.

2. Insured products to guarantee “freshness” and improve credit standing of Bright school milk

We adopted two measures. Firstly, to shorten production and supply circle, to coordinate and balance the procedure timely and control inventories rigidly. We elaborated the production, which meets market needs and cut down inventories. In the summer holidays of 2004, we realized “zone inventory” at first time, which fully guaranteed the freshness of milk products for the school beginning of the next semester. Secondly, the products were insured, which enhanced much diversified after sales service. The designated processing enterprises No.2 Dairy Products Factory won the admission of HACCP after its obtaining of ISO9001 admission. In order to be more responsible for students, all of Bright school milk series of products have been insured.

3. Developed market with multiple promotion approaches

The particularity of school milk requires us to go to lengths to introduce milk to students as well as aggressively and effectively promote it to students, parents and teachers. We refrained from marketing milk for the single purpose of selling it to consumers. We always combined propaganda and education with popularization of scientific and safe milk drinking and invested millions of RMB yuan as marketing expenses. We initiatively promoted our products aiming at different schools. We

issued 2,000,000 copies of flyers and booklets for propaganda of national SMP, scientific milk drinking and methods to identify milk quality during the past several years. We organized students and teachers to visit milk products museums and No.2 Dairy Products Factory group by group. We also organized “Bright One-day tour” summer camps during summer holidays. We have made 700,000 promotion goods, such as pencil vases, pencil boxes, pens and cartoon rulers. In addition, we actively participated in all kinds of commonweal campaigns sponsored by municipal school milk office and education committee and to sponsor students in poverty.

Above is the general conclusion of our experience in the SMP. As an enterprise, for the sunshine undertaking of “ a glass of milk strengthens the health of a nation”, we will continue to guarantee quality and improve service with better and more school milk to meet the market needs. Meanwhile, we expect to have great assistance and coordination from government, especially educational organizations to resume and open schools market, on the other hand, we hope other food accidents will not cause damages to innocent students, we expect more backup for SMP so that enterprises can receive healthy development with the precondition of high quality products. Bright Diary School Milk Co.,Ltd aims at “Safety Guarantee, the lowest danger of school milk, reassure students, parents, education administrative organizations and government” and endeavors to advance despite difficulties to contribute for China School Milk Industry.

Bright Diary School Milk Co.,Ltd