



2010 Our Commitment to Sustainability



About Our Cover

*Reflecting our commitment to
the environment, the community
and our employees*



70%

of the water
used in our
California facility
is recycled water



7,000 lbs of cheese

and thousands of cans of food
donated to local food banks and
hunger-relief organizations



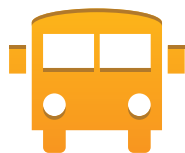
45,000 Hours

spent on
employee training



17 Students

received college scholarships from
Hilmar Cheese Company



15,000

students participated in
our educational programs

The information presented reflects data collected for 2010

Welcome to Hilmar Cheese Company

*Making cheese and whey products that contribute nutrition,
enjoyment and value to people's lives.*

Owned by eleven local Jersey dairy farming families, Hilmar Cheese Company, Inc. produces cheese and whey products that nourish more than 20 million people worldwide each day. From the shredded cheese in tacos to the whey protein in infant formula, Hilmar Cheese Company and our whey division, Hilmar Ingredients, deliver the promise of dairy to consumers around the world.





Contents

The Company	
Letter from CEO	5
Our History	6
Our Mission	7
Goals and Progress	8
Environmental Stewardship	10
Employees	12
Economic Value	14
Community Engagement	16

This report is based on the methodology outlined by the Global Reporting Initiative (GRI), a nonprofit organization that develops and publishes guidelines for reporting on sustainability performance. More information on the GRI can be found at www.globalreporting.org.

A Letter from Our CEO

Our Commitment to Sustainability

Thank you for taking this opportunity to learn about Hilmar Cheese Company through our first corporate sustainability report. It has been produced to recognize and report on our goals, successes and areas for improvement as we convert our premium milk supply into innovative, top-quality dairy products for customers worldwide.

Still privately held by local dairy farming families, we operate our original processing plant in Hilmar, California, and have a second new manufacturing site in Dalhart, Texas.

Our company is based on the fundamental principles of corporate responsibility and sustainability. We express these values internally as *The Hilmar Way* – it's our way of looking at everyone and everything we touch; our company culture, our community and our resources.

While committed to a thriving and growing company, it is important that we manage our business in a manner that balances economic, social and environmental sustainability. We value your confidence in our company and know it is our responsibility to maintain that trust.

At Hilmar Cheese Company, sustainability is a daily commitment to caring for our land, air and water resources – while never forgetting the importance of putting affordable, nutritious dairy foods on the tables of millions of consumers and



We express these values internally as *The Hilmar Way* – it's our way of looking at everyone and everything we touch; our company culture, our community and our resources.

sharing the benefits of dairy. This report is designed to share openly with those we engage with – our customers, our business partners, policy makers, consumers and our community – about our sustainability efforts. From our Visitor Center to our water reclamation, we take seriously our responsibility to the community and environment in which we live and raise our families.

We work at all times to protect our natural resources, our employees and our future generations. It is our obligation, and it is the right thing to do. For Hilmar Cheese Company, it is *The Hilmar Way*.

John Jeter

Our Family-owned Company



Our History

In 1984, 12 Central California dairy families, (pictured at right) seeking to maximize the value of their Jersey cows' premium milk, created Hilmar Cheese Company, Inc. They invested heavily in research, the latest technology and employee excellence – a practice that continues to guide the privately held company today and remains a core part of *The Hilmar Way*.



Committed to continuous improvement and innovation, the company has grown to be a leading producer of American-style cheese and whey products. We enjoy an international reputation for superior quality and consistency of our products and unparalleled, personalized service. Today that reputation continues as the second and third generations of family owners (pictured at top) share responsibility. Success, for Hilmar Cheese Company, means fostering long-term, mutually beneficial relationships between company owners, employees, milk producers, customers and the local community.

Sustainability, Part of Our Legacy



Our Mission

Commitment to sustainability is a core element of the mission statement that Hilmar Cheese Company follows:

Through leadership-driven, high-performance teamwork, Hilmar Cheese Company and Hilmar Ingredients develop and convert in a sustainable manner our premium milk supply into innovative, top-quality dairy products for customers worldwide who further add value in their markets.

Scope of this Report

This presentation of Hilmar Cheese Company's sustainability efforts incorporates guidelines from the Global Reporting Initiative (GRI) along with principles important to our customers and our industry. The scope includes calendar years 2009 and 2010 and reflects the efforts at our California headquarters and manufacturing facility. Next year's report will expand to include activities at our second facility in Dalhart, Texas.



More about our sustainable practices can be found at www.hilmarcheese.com.

Goals and Progress



Category	Focus	Goals	Progress	Future Plans
Environmental Stewardship	Recycled Water for Irrigation	Use 100% of wastewater discharged to land for crop irrigation	96% of the amount of wastewater discharged to land was for crop irrigation, an increase of 31% from 2009	Progress to 100%
	Well Water Use Reduction	Minimize the amount of well water used for production	The amount of well water used per thousand pounds of production decreased by 2% from 2009	Continue to reduce water use
	Renewable Energy	Use 100% of the internally available biogas (methane) as a fuel source	A new boiler was installed that has the capability of using 100% of the current internally generated biogas (methane)	Evaluate alternative energy solutions such as solar, and increase amount of internally generated biogas (methane)
	Energy Efficiency	Continually reduce energy use	An in-depth assessment of facility-wide energy efficiency lighting project is near completion	Implement feasible changes such as expanded use of energy efficient lighting
	Air Emissions	Decrease the amount of direct greenhouse gas (GHG) emissions per thousand pounds of product	The amount of GHG emissions per thousand pounds of product was stable from 2009	Evaluate renewable energy options to decrease GHG
	Solid Waste Recycling	Recycle and reuse to create zero waste from material stream	We improved programs to reuse cardboard, shipping containers, plastics, jugs, foam and more	Continuous improvement to meet goal of zero waste with supplier partnerships
	Package Minimization	Minimize product packaging while maintaining quality and material integrity	We disassemble, sterilize, ship flat and reuse the wooden and plastic crates from the 640 lb. cheese block packaging	Work with suppliers to continually improve packaging efficiency
	Supplier Responsibility	Develop and maintain relationships with suppliers who have similar sustainability goals	New supplier qualification guidelines adopted and posted on our website	Utilize collected information during review process; clarify and expand awareness of our sustainability expectations
	Transportation	Reduce shipping miles	We worked with suppliers to improve proximity and shipping logistics	Develop additional partnerships for shipping

Goals and Progress



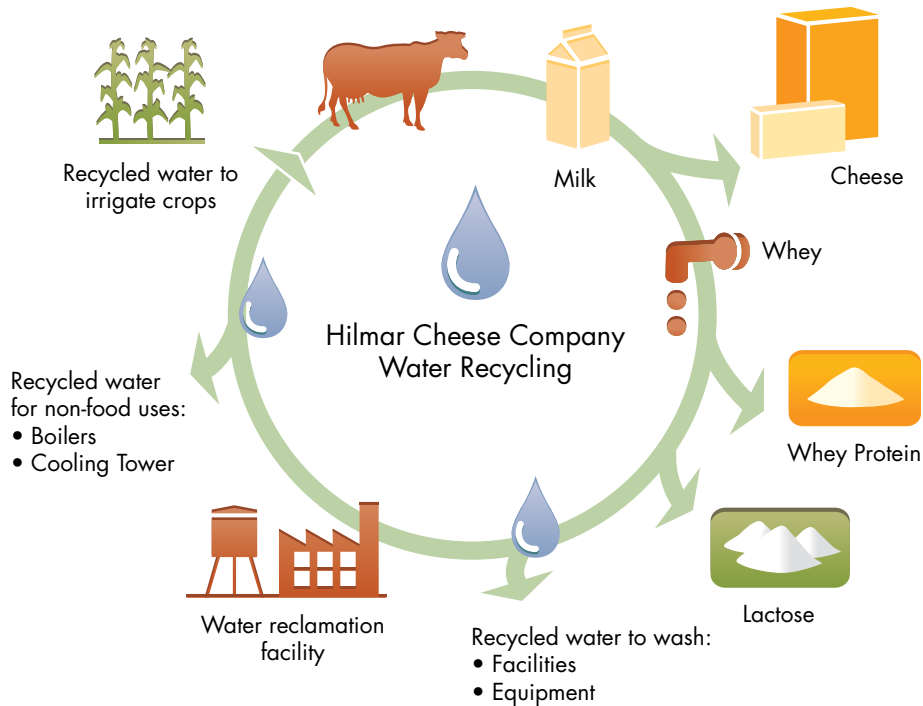
Category	Focus	Goals	Progress	Future Plans
Employees	Safety	Decrease incidents of workplace injuries	Our workplace injuries decreased by 14% from 2009	Continue to implement Behavior Based Safety and other safety-related improvement programs
	Training	Implement <i>The Hilmar Way</i> training	<i>The Hilmar Way</i> training has been incorporated into all new staff training	Improve training to meet new and emerging needs



Category	Focus	Goals	Progress	Future Plans
Economic	Jobs and Local Support	Stimulate local economy	In an area of high unemployment, our workforce increased to more than 790	Continue business success to increase workforce

Category	Focus	Goals	Progress	Future Plans
Engagement	Community Philanthropy	Identify and contribute to projects with significant impact	We partnered with University of California at Davis to help build a new milk processing lab	Maintain core emphases on youth and education, food resources, health care and the arts

Environmental Stewardship



Environmental Stewardship

Our water recycling starts with milk from the cow. Milk is made up of 13% nutrients which are used to make our cheese, whey proteins and lactose; and 87% water which is used in our recycling programs.

70% of the total water usage in our facility comes from two recycled sources:

- 60% is recycled water directly from the milk. This recycled water is used for cleaning and sanitation of manufacturing equipment. The water continues to our water reclamation facility for further treatment and is then used primarily for crop irrigation.
- 10% is recycled water from our water reclamation facility. This water is used in non-food applications like cooling towers and boilers.

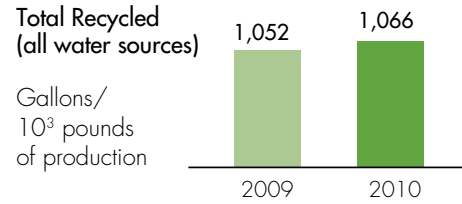
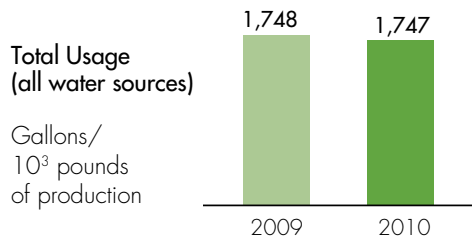
Dairy Farm Stewardship

Hilmar Cheese Company partners with more than 230 local dairy farms dedicated to providing us with the highest quality milk. These farms participate in the California Dairy Quality Assurance Program (www.cdqap.org), following CDQAP standards for environmental stewardship. As of 2010, we are closing on our goal of 100% certification, with 80% of our dairy farmers meeting CDQAP standards.

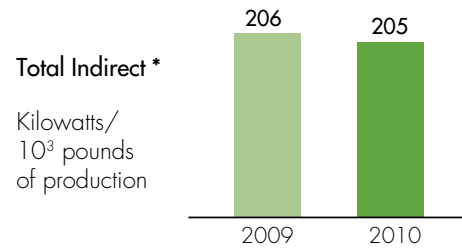
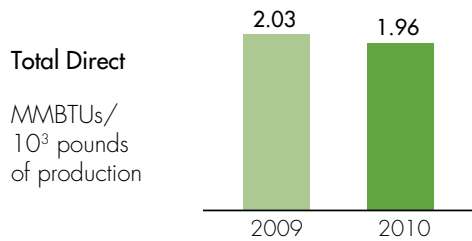
Stewardship extends to animal care, one of the most important aspects of our supplying dairy farmers' jobs. Good cow care leads to the high-quality, wholesome milk required by our products. Hilmar Cheese Company supplying dairies participate in the National Dairy Farm Program: Farmers Assuring Responsible Management™ (www.nationaldairyfarm.com). Established in October 2009, FARM™ is a nationwide, verified program addressing animal well-being. As of 2010, more than 75% of our supplying dairy farmers are certified. Our goal for 2011 is to have 100% participation.

Environmental Stewardship

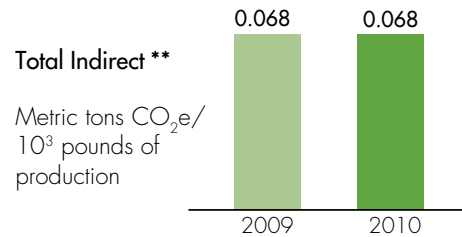
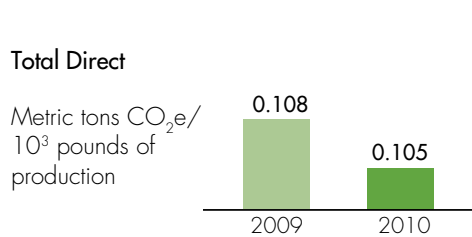
Water



Energy



Greenhouse Gases



* Indirect energy is provided by outside sources such as electricity

** Indirect GHG is produced as a result of using electricity from outside sources

Stewardship at Our Processing Plant

The charts above show our use of resources – water and energy, per thousand pounds of production at our headquarters and manufacturing facility in Hilmar, California.

Highlights include:

1. Increased amount of water recycled and used in facility and on cropland
2. Installed new boiler capable of using internally generated biogas (methane)
3. Recognized by California's Climate Action Registry (climateregistry.org) as a Climate Action leader working to reduce GHG

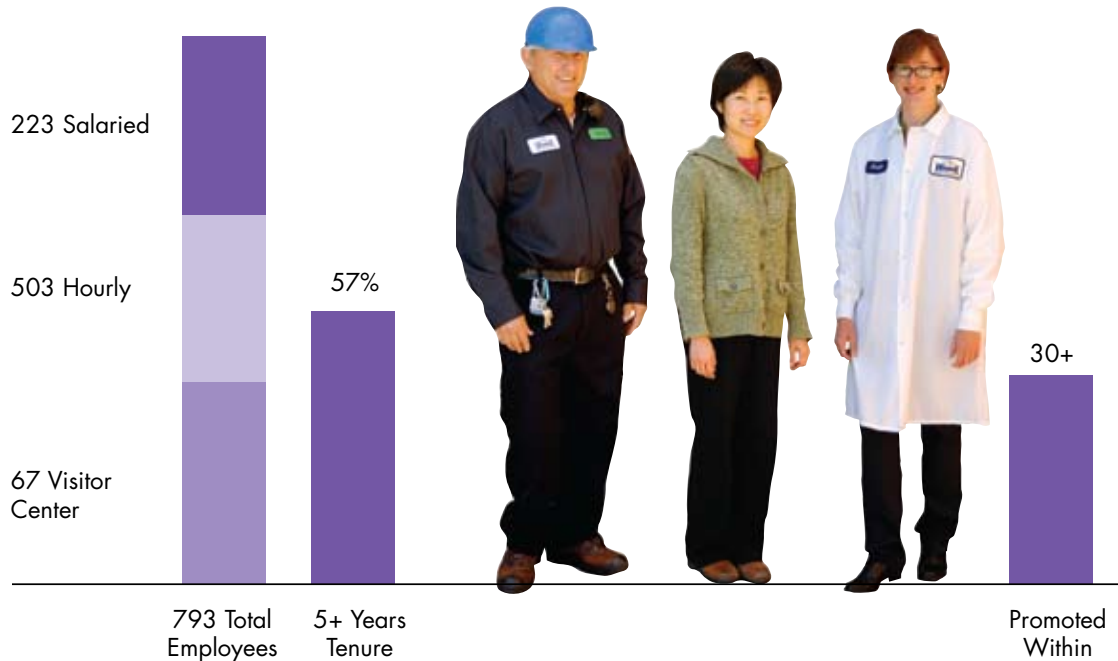


Gary M. Carlton

PE, Kennedy/Jenks Consultants, Senior Client Manager
Former California Water Quality Regulatory Official

"While a pioneer's journey is not always easy, Hilmar Cheese Company has emerged as an industry leader in water reclamation and recycling. Through commitment, dedication and perseverance, Hilmar's team has researched, designed and now operates one of the most advanced processing water recycling facilities in California and likely the nation."

Our Employees



Employee Tenure

Our efforts to provide a satisfying workplace are reflected in the fact that, in 2010, more than 57% of all employees had 5 or more years of service at Hilmar Cheese Company, compared to the USA median tenure of 4.4 years.

Employee Engagement

We believe engaged employees are more productive and committed. Our philosophy includes providing employees with professional educational opportunities on a variety of levels and promoting from within. Our employees are connected, excited and dedicated to advancing themselves and the company. In 2010, more than 30 positions were filled by promoting employees from within the organization.

A baseline cultural survey conducted at our facility by Aubrey Daniels International (Accelerating Human Performance) identified the cultural practices that make Hilmar Cheese Company a great place to work and reflect our commitment to *The Hilmar Way*.

Key findings showed that employees:

- Felt a respect for each other
- Had a strong sense of empowerment and teamwork
- Carried a strong sense of ownership
- Believed the company offered growth and advancement opportunities



Larry Fillman
2nd employee hired

"I started with Hilmar Cheese Company in 1985 as we were pouring the cement for our first cheese plant. Since then, I've managed supplies and schedules, done cheesemaking and am now the director of cheese sales and distribution. What I value most is that every day brings new adventures and challenges. I work with people who believe in the betterment of the whole organization and in producing high-quality products that feed millions of people each day."

Our Employees

	New Hire	Established Employee	New Supervisor Trainee	Operations Staff (primarily supervisors)
Food Safety Training	✓	✓	✓	✓
New Hire Orientation	✓		✓	
Cheese/Ingredient Manufacturing (equipment – skills development)	✓		✓	
Standard Operating Procedures Update/New Equipment	✓	✓	✓	✓
License Renewal	✓	✓	✓	✓
Grade II Operator (higher skill development, troubleshooting, technical)		✓		
New Supervisor Training Program			✓	
Leadership (business review meetings, leadership series)			✓	✓
Total Hours of Training	200-365 Hrs.	60-100 Hrs.	375-600 Hrs.	50-110 Hrs.
Future Plan	Increase independent learning opportunities via computer-based training and online courses	Increase participation by rolling out skills development program and continuous improvement training for all operators	Focus training on building strengths to organizational needs and gaps	Implementing the option for supervisors to complete skills development program

Employee Training

Our training varies depending on the status of the employee. For example, different training is offered for the employee who is a new hire, a new supervisor or management. The chart above is a general outline of the training hours based on employee status. In 2010, 40 new hires and 6 new supervisor trainees went through our training process.

2010
Total worker hours dedicated to training = more than 45,000 hours.

Employee Safety

Hilmar Cheese Company is committed to providing a safe working environment. In 2010, we continued to implement a number of programs designed to further improve our safety performance. Two main efforts were:

- Expansion of our Behavior Based Safety program
- Use of the "Take 2" training program that provides brief, two-minute videos demonstrating the proper way to perform tasks in an industrial environment

We reduced our 2010 Occupational Safety and Health Administration recordable cases by 14% from 2009, continuing a three-year downward trend.

Economic Value

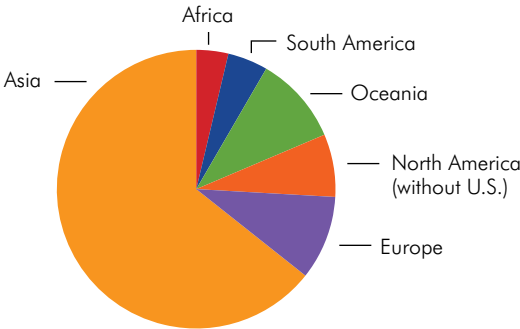


Leading Global Exporter

Ranked 27th among *Dairy Foods* magazine's Top 100 United States dairy-based businesses, Hilmar Cheese Company adds economic value to our local communities, state and nation. We are one of California's leading global dairy exporters.

Our division, Hilmar Ingredients, was named 2009 Exporter of the Year by the U.S. Dairy Export Council and co-sponsor *Dairy Foods* magazine. The award recognizes our leadership in driving global demand for U.S. dairy products.

Worldwide Exports 2009/2010



Job Creation

We are a significant provider of local jobs and contributor to the region's tax base.

According to calculations from California's Bureau of Economic Analysis, Hilmar Cheese Company provides:

- 4,700 additional jobs in our local communities
- 9,633 regional jobs provided indirectly through our business with vendors, goods and services, transportation and other indirect benefits



Healthy Innovation

We work with our customers to create diet-based health benefits for consumers around the world. Current collaborative projects include:

- Improvements in taste, texture and quality of low-fat and low-sodium cheese to meet emerging interest in dietary options
- Development of a whey protein enriched with alpha-lactalbumin – a special component in milk – for infant formula that is closer to mother’s milk. While breastfeeding is always preferred, there are situations where this is not possible. Having an option that is as similar to the ideal as possible can contribute to proper infant health.
- Creation of a lactose product for applications in emerging markets needing microbial stability similar to pharmaceutical lactose, yet also needing cost efficiencies



Community Engagement



Civic Involvement

At the forefront of Hilmar Cheese Company’s efforts are community and industry involvement and support. Our owners and employee team invest significant personal time outside their roles at Hilmar Cheese Company. They are familiar faces and respected members of many dairy industry groups and civic organizations.

Through the generosity and enthusiasm of everyone at Hilmar Cheese Company we help ensure the ongoing vitality of many community organizations.

Throughout the years, the company has donated millions of dollars and hundreds of cheese gift baskets to support local schools, charitable causes and the agricultural industry. Following are some highlights from our 2010 partnerships with community and supporting organizations.

Dedication to the Arts

Hilmar Cheese Company believes in supporting activities that contribute enjoyment and a sense of community.

- Modesto Symphony Orchestra – Hilmar Cheese Company is the exclusive host of the Pop Concert series featuring musicians from around the world
- Turlock Community Theater – long-time donor to this local theater, we encourage our employees and community to attend the productions that often star local talent
- Carnegie Arts Center – scheduled to open in 2011 as one of the area’s premier art centers, our donation was instrumental in renovations to the 100-year-old Carnegie building

Community Engagement



Improving Community Food Resources

We have a special relationship with Hilmar Helping Hands, a group based in the town of Hilmar devoted to feeding community members in need. Hosting an annual holiday food drive with collection barrels in our Visitor Center, we also provide a matching \$3 for every can donated. In 2010, our employees, visitors and the local community donated more than 2,000 non-perishable food items to Hilmar Helping Hands.

Hilmar Cheese Company also donated more than 7,000 pounds of cheese and provided financial assistance to other local food banks including the Merced County Food Bank and the Turlock Salvation Army.

Healthier Lives for Generations to Come

We commit a percentage of our profits to support other contributors to good health.

- Emanuel Medical Center Legacy Circle Donor – a long-time supporter of this local hospital, our funds have helped build a state-of-the-art women’s birthing center, improve emergency services and sustain hospice for our community
- American Cancer Society’s Relay for Life – 53 employees used matching dollars from the company to raise more than \$17,000 in 2010
- Delta Blood Bank – we sponsor the “pint of blood for a pound of cheese” reward program for blood bank donors throughout the year
- Hilmar Community Pool – our support of this local pool has helped to keep it operational. The pool is home to a local swim team and offers swim and water safety lessons.

Community Engagement



California Visitor Center

The Hilmar Cheese Company Visitor Center, located in our California headquarters, helps to reconnect people, especially children, with agriculture and the source of their food. Each year, thousands of families and school children interact with fun, hands-on exhibits to better understand the contribution of dairy to healthy people, healthy communities and a healthy planet.

- “Cheesemaking University” School Field Trip Program – through a teaching segment correlated to California’s State Teaching Standards, our Visitor Center staff educates more than 15,000 students from kindergarten through high school about the cheesemaking process
- Dairy Exhibits – in 2010, we were the first company to install the National Dairy Farmer Image exhibits designed by Dairy Management, Inc. to educate visitors about the dairy industry and importance of agricultural sustainability



Denise Van Horn

Teacher, McSwain Elementary School
Merced, CA

“My second graders love the hands-on program at Hilmar Cheese Company. During the ten years I’ve been bringing my class to the exhibits and tours, I have been impressed as the company continues to invest in staff, activities and curriculum. The program supports California State Standards and is always an exciting end-of-school-year event for our students.”

Community Engagement



Inspiring Minds to Learn and Grow

Future industry leaders are inspired and trained through education and involvement in the world around them. We seek ways to support their development.

- University of California, Davis – financial aid for construction and the services of our own engineers to help with installation of the milk processing facilities at UCD’s August A. Busch III Brewing and Food Science Laboratory. This new facility will be used for research, student training and industry collaboration to develop the next generation of dairy foods.
- Annual Scholarship Program – college or trade school tuition scholarships for children of our employees, the dairy farm families that supply us milk and local students pursuing agricultural degrees



Jason Mast and Karessa Mann
Scholarship recipients



Headquarters

9001 N. Lander Avenue, P.O. Box 910, Hilmar, CA 95324
Main: 209.667.6076 Fax: 209.634.1408
www.hilmarcheese.com www.hilmaringredients.com

Dalhart Manufacturing Facility

12400 US Highway 385, P.O. Box 1300, Dalhart, TX 79022