



Nature's Spectrum  
in a Variety of  
Products



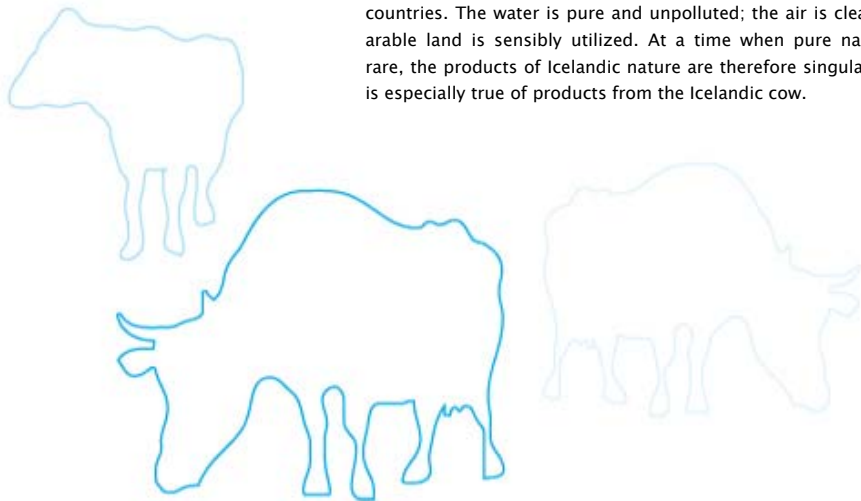
## Leading company in Iceland's food industry

Mjólkursamsalan, MS (Milk Marketing and Distribution Centre in Reykjavík) is a market driven company, analysing consumer needs to be able to provide wholesome and diverse dairy products. The main emphasis is on production of food made from Icelandic cow milk, with the objective of producing an operational profit, characterized by efficient distribution and increasing sales.

MS has the goal of maintaining its position as a leading company in the food industry in Iceland. The company plans to do this by serving the needs of its customers in every way and utilizing procedures characterized by innovation and product development, flexible production, a powerful distribution system and energetic salesmanship.

## Pure nature, singular agricultural products

Iceland is a magnificent country of vast extremes – volcanoes and glaciers, vegetation and deserts, light and darkness. At first glance, it seems that most other countries are better endowed for agricultural production, but on closer examination, it comes to light that Iceland has various advantages over many urbanized countries. The water is pure and unpolluted; the air is clear, and arable land is sensibly utilized. At a time when pure nature is rare, the products of Icelandic nature are therefore singular. This is especially true of products from the Icelandic cow.



With effective efforts, MS has built a good image reflected in the trust of the public and the company's resellers. The company has moulded a production process characterized by diversity, flexibility and high output. It has generally been able to meet consumers' demands and has worked successfully on the development, marketing, production, sales and distribution of dairy products.



# Consumers' ever-changing wishes and needs lead to progress and product development

MS is a cooperative owned by farmers forming an association for the purpose of marketing their products. When MS began operations in 1935, there were over 100 dairy stores in Reykjavík although only 33,000 people lived there. Competition was therefore hard, production uneconomical, and there was often inadequate hygiene during production and distribution. The farmers united in a milk cooperative, which through its size could distribute milk economically and also greatly increase the quality of dairy products and improve service to consumers.

Today farmers elect representatives from their ranks to the MS Board. The operations are thus based on owners who are also active participants in the company's production chain as well as on its board. In recent years the number of dairy farms in Iceland has decreased steadily, and they have correspondingly increased in production.



1935

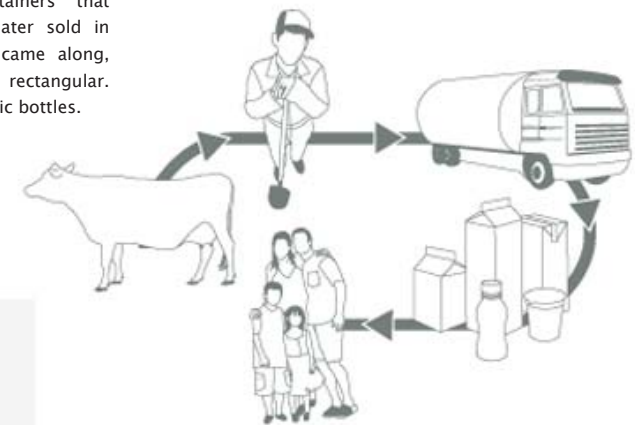
2004



The history of MS is one of progress in the dairy industry, where technical innovations and quality demands have gone hand in hand with changing consumer patterns and wishes. The operations have gone through enormous changes, which can be seen in the development of dairy product packaging.

Since its founding, MS has ensured that the chain from producer to consumer has never been broken, while developing new products to meet consumer demands.

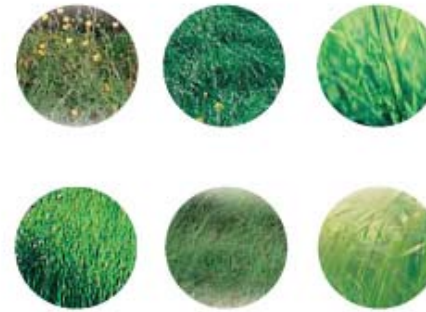
In the early years, milk was sold unpackaged. It was sent to stores in large cans, and milk was ladled out of them into containers that customers brought in. Milk was later sold in glass bottles until paper cartons came along, first tetrahedral in shape and then rectangular. Milk has also been packaged in plastic bottles.



## Clean land and unique cows

Icelandic cows are regarded as unique in many ways. Ever since settlement of the country, nature has moulded and strengthened the cow stock, and the country's early isolation along with strict disease prevention later have prevented contagion from various serious livestock diseases that have caused enormous damage in many other countries.

Farmers' professional working procedures ensure product quality



Research on the connection between diabetes and the protein composition of milk has shown that consumers of Icelandic cow milk are less likely than consumers of milk from other cow stocks to develop the disease.

The cows feed on rich fodder since Iceland is a clean and nearly unpolluted country. Research has revealed that Icelandic milk is one of the purest found.

Protection of vegetation and self-sustaining utilization characterize farming in the country since farmers have adopted working procedures to ensure product quality. Agricultural operations are aimed at cows producing the best possible products; barns have been technologized, and milking facilities have been modernized.

Cooling of the milk, which is a precondition necessary for a good product, begins with the farmer, and milk is kept chilled from that point until reaching consumers.

In Iceland, self-sufficiency and a concern for the environment are a prime concern

## Consumers demand healthful and diverse products

On an international scale the market in Iceland is small, but the community is modern and the quality of life high. Many consumers choose a healthy lifestyle and therefore demand wholesome and diverse foodstuffs.

Dairy products have long been an important part of Icelanders' food and, at the same time, a crucial aspect of a wholesome diet. Some dairy products have been with Icelanders since the age of settlement, while others have been developed in response to changed consumer needs.



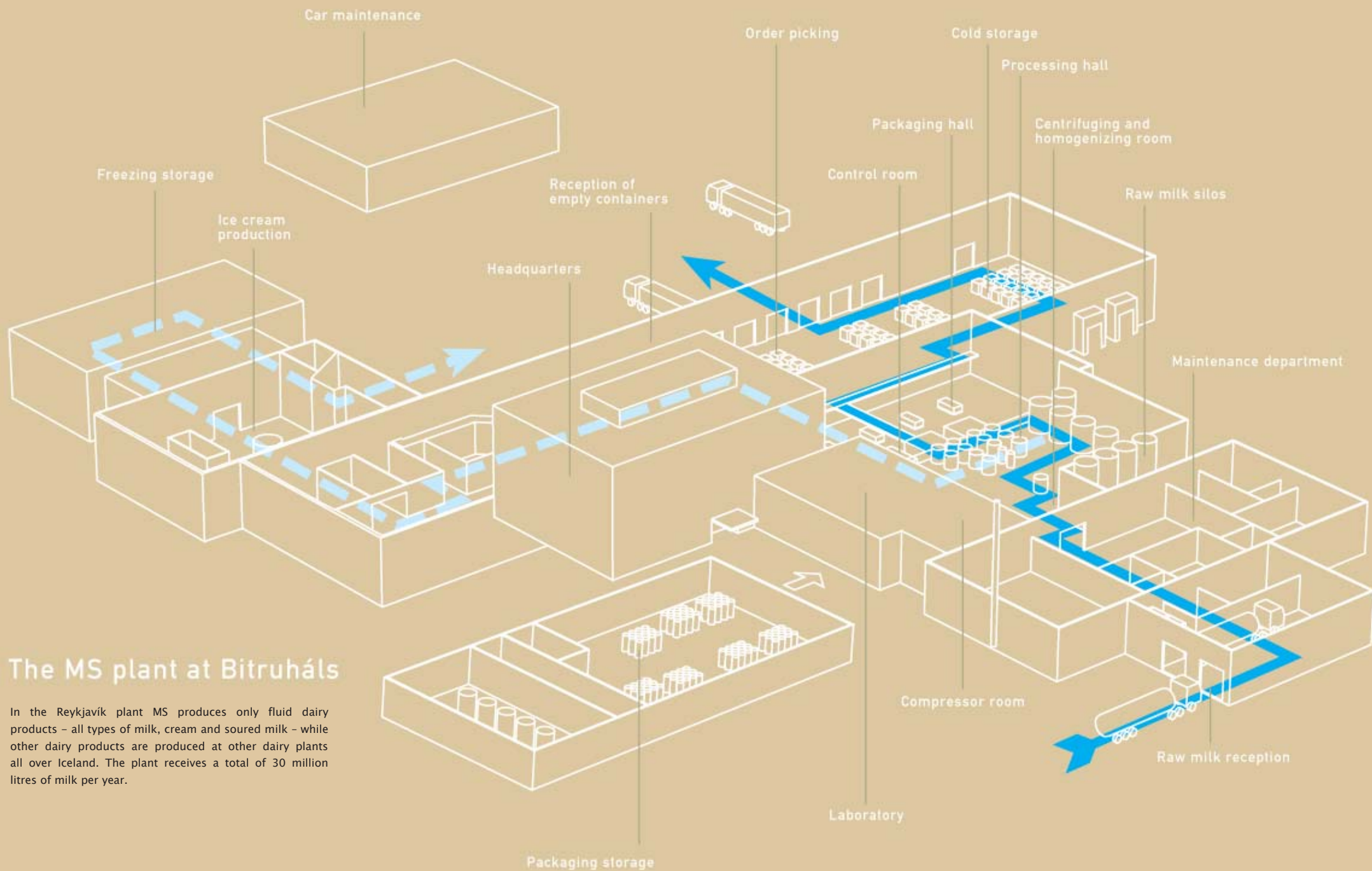
MS works constantly toward informing consumers about its products, their excellence and qualities. This is done with direct mail and advertising, mainly on TV, and by other promotional means, often in collaboration with nutritionists, athletes and celebrities. We stress that dairy products have the unique status of being one of the most calcium-rich foods available, and their wholesomeness is singular. It has long been known that children and youths need to drink milk, among other reasons, to build bones, while in later years specialists have also pointed out the importance for people of all ages of drinking milk as a preventive measure against osteoporosis.

MS serves a very demanding market with continuous product development and marketing of a diversity of dairy products. The market for beverages consumed with food or by themselves on a variety of occasions has increased greatly in step with changed consumption patterns. MS beverage products are primarily based on milk and fruits, and they are presented as choices based on quality and wholesomeness. Packaging is also developed to meet new consumer occasions.

MS provides consultancy on the design of dairy product displays in stores and product arrangement. The purpose is to make dairy products more visible, with the goal being to increase sales.







## The MS plant at Bitruháls

In the Reykjavík plant MS produces only fluid dairy products – all types of milk, cream and soured milk – while other dairy products are produced at other dairy plants all over Iceland. The plant receives a total of 30 million litres of milk per year.



## Milk processing untouched by human hands

Raw milk for production comes to the plant in tankers, is pumped through a cooling system and collected in storage silos. From there the milk goes into processing. The milk is untouched by human hands from the time it arrives in the tank truck until it reaches consumers' tables. The milk flows constantly through the plant in pipes running into the processing rooms, with computer-controlled valves guiding the flow.

All milk received is pasteurized; thus, any pathogenic bacteria are prevented. The milk is separated, pasteurised, rinsed and homogenised in a continuous process. In the final step the dairy products are collected into large tanks prior to transfer to the packing machines.

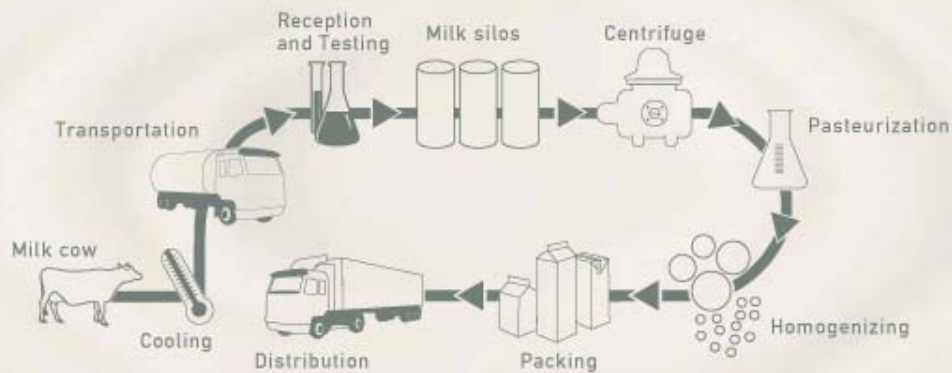
## Strict quality control ensures the same product from day to day

After a particular kind of product has been produced, it is put into consumer packages. The packing occurs the same day or the day after raw milk comes into the plant. The production capacity of the dairy plant is great and the production process modern, with automation given top priority.

is always produced in the same way, so that there is no difference in it from day to day. The laboratory tests milk samples from each farmer from the tanker and during the production process. Samples from fully processed products are also checked to monitor quality and shelf life. Fully processed products are packaged and moved into cold storage to await distribution along with products coming from other dairy plants and MS collaborators. From there they are distributed to customers.

The entire production is subject to strict quality control, and all work is done according to a special monitoring system to ensure that the same product

## From cow to consumer



## Products from the MS plant





# Emphases and means

MS defines its market according to four distinct categories: beverages, dairy dishes, industrial raw materials and health and environmental products. Market penetration is organized in accordance with these profit centres.

The market for beverages consumed with food or by themselves on diverse occasions has increased greatly in step with changed consumption patterns. MS beverage products are primarily based on milk and fruits, and they are presented as choices based on quality and wholesomeness. The goal is to increase the share of this product category in the overall beverage market. To achieve this goal the emphasis will be on offering consumers a diverse and appropriate product selection in suitable packaging.

MS has specialized in the processing of natural products with unmeasured potential as industrial raw materials. The company aims at significantly increasing its share in the raw materials market in the food industry. To achieve this goal a special effort will be made to develop options and convenient solutions for the industry to increase the use of milk as a raw material in food processing and manufacture. The goal is also to offer better alternatives to other raw materials and additives used in the food industry.



The market for ready dishes and nutritional portions is growing rapidly and is based on fulfilling a need for convenient fast food at all times of the day. MS' dairy dishes meet this need in addition to competing with other dishes and side dishes for food. In marketing quality is emphasized, along with nutritional content and healthfulness as well as handy packaging and diversity. MS' goal is to increase the share of dairy dishes in this market and be a leader in market development.

MS' health and environmental products meet needs regarding wholesomeness, the environment and lifestyle. They compete primarily in the market for special-purpose foods, health foods and supplements; the emphasis is on prevention although, in certain instances, consumption is recommended to expedite recovery. In marketing and sales, health and medical perspectives are employed or environmental viewpoints.

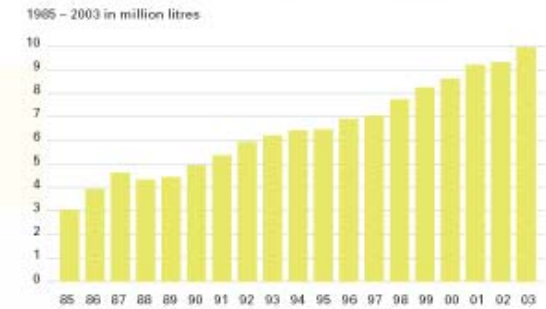


## Diverse selection of products fulfilling different needs

The market for ready dishes and nutritional portions has grown rapidly in recent years since such dishes fulfil a need for convenient and fast food at all times of the day.



Total sales of MS special products, beverages, dairy dishes, health and environmental products



MS is a marketing company competing in an ever-tougher food and beverage market. Great emphasis is placed on innovation, product development, packaging design and marketing to fulfil consumers' needs regarding quality and good selection.

MS's healthy consumer products (functional food) fulfil a need for healthfulness and a new lifestyle, competing on the market primarily with so-called special-purpose foods, health foods and supplements. The preventive effect of functional dairy food is emphasized although in certain instances consumption is recommended to expedite recovery. Several kinds of Icelandic dairy products fall under the heading of functional food, and each has its own individual, specialized qualities, benefiting each and every one. These products have multifarious strengthening effects and reduce the effects of negative environmental factors and stimuli that can damage health.

Specialized products for different needs



## In harmony with the environment

Dairy products are popular in Iceland, and therefore a great quantity of used packaging is generated from them. In selecting packaging for the products, consumers' requirements for utility must be fulfilled, and an effort is also being made to deal with suppliers taking environmental views into consideration during their production. Possibilities for recycling are also considered as well as the extent of the packaging and its weight because the great quantity produced by MS has great impact on fuel consumption when it comes to product distribution.



## Consumers' liaison with natural products

The quality of production and wholesomeness of the products always has top priority, and MS emphasizes working in harmony with its environment, with minimum impact on the ecosystem.

MS is a large company on the Icelandic scale, and its employees realize the importance of treating nature responsibly. MS works continuously to reduce waste and energy consumption and to improve the utilization of raw materials. Packaging is chosen with consideration for the environment, and consumers are urged to return beverage containers for recycling.

MS will continue to sell and distribute dairy products and fulfil its role as a liaison between consumers and the products that Iceland's nature provides. MS therefore wishes to work in harmony with the environment and seek ways for its activities to disturb it as little as possible. The goal is therefore to provide future generations opportunities to benefit from pure nature and wholesome products for the indefinite future.

## Importance of sorting waste and recycling

MS wishes to promote the sorting and recycling of waste in as many areas as possible and emphatically encourages the public to return beverage containers for recycling. From fibres produced during recycling of milk cartons, envelopes, packaging, toilet paper and even floor tiles can be produced.

Recycling and sorting of waste also involves internal efforts. An attempt is made to ensure that the waste generated within the company is minimized, and that it has the least possible impact on the environment. All refuse is sorted according to a precise system, and an ever-larger portion of it is recycled. Organic waste is used for animal feed.



## We cultivate our language

Language, this fundamental instrument for our communications, plays a key role in how well we understand each other and the world we live in. At a time of increased globalisation, the nations of the world must cultivate their unique qualities and languages. This pertains not least to sparsely populated countries and cultural groups like Icelanders.



In recent years, MS has worked purposefully in the cause of language cultivation and language protection under the slogan "Icelandic is our language". This entails direct support for those working in the field of Icelandic language cultivation and also publicity efforts aimed at drawing attention to the diversity of the Icelandic language. The greatest notice has been taken of MS' publication on milk cartons of various pointers on diction and literary texts.

The most important market area for MS is Reykjavik and the surrounding areas, but its products are distributed throughout Iceland. These products are produced around the country by MS subsidiaries and partners.

MS has about 1650 customers. Amongst them are schools, preschools, hospitals, restaurants and large workplaces. Nevertheless, the biggest share goes to large and small stores, of which there are about 300; these account for about 80% of the turnover. In recent years the number of supermarkets has greatly increased, so that about 40% of MS' total turnover comes from about 30 supermarkets.



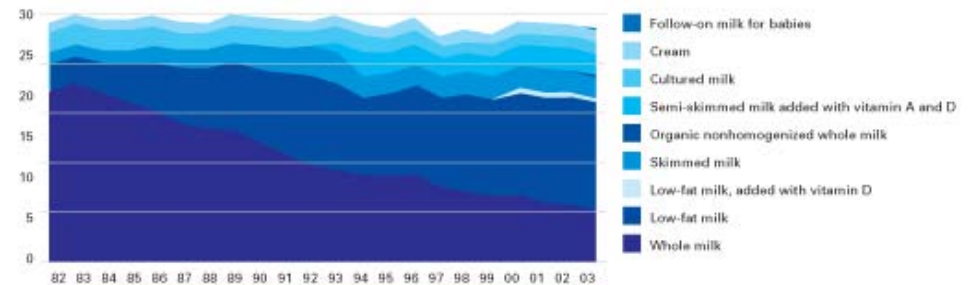
## MS in Iceland



Location of collaborators and MS partners

## Sales of MS products

1982-2003 in millions of litres





MS Products

