

Asunción, Paraguay, september 2018

Cooperativa CHORTITZER Ltda. Was formally incorporated in 1962. It is responsible for promoting the socio-economic development of some 6,709 members, providing them all services in the sectors of production, processing and sale of products in the local, national and international markets. It is composed of different business units for different sectors: development credit office, supermarkets, purchase and sale of animals, import and export, balanced feed factory, dairy plant and meat processing plant, workshops and dairy farms.

During the period from December 2017 to September 2018, we developed a process improvement project called "MAX" (We are Chortitzer and we Maximize Efficiency), which was led by the firm LONDON CONSULTING GROUP for the Production Modules (UHT, Frescos and Lolita), Maintenance (UHT, Fresh and Lolita), Commercial Dairy, Commercial Meat and Sausages, Dairy, Meat and Sausages Logistics, besides strengthening the development of management skills of key personnel in those areas. Throughout this project we were able to align the processes to our objectives, implementing a work system focused on results and continuous improvement, allowing us to increase the productivity of our company. After implementing the different processes, tools and policies, the following results can be evidenced:

Commercial Dairy:

- Definition and implementation of the intelligent sales model that allows maximizing profitability, maintaining and/or increasing sales, optimizing the product portfolio and analyzing the elasticity per family/product for each of the sales channels
- Increase in market share by 5% for supermarket channel
- Decrease in discounts for dairy products in saloons by 36%
- Decrease in returns by 15% and 17% for retail channels and supermarkets respectively
- Optimization of the product portfolio by 3.3%

Commercial Meat and Sausages:

- Design and implementation of the customer service model, definition of the control section for the structure, standardization of the rib classification in the distribution center and implementation of the standard cutting policy
- Decrease in discounts by 62% and 77% for meat and sausages in the saloons channel respectively
- Reduction of refunds by 2% and 46% for meat and sausages in the supermarket channel respectively
- Optimization of the sausage portfolio by 56%
- Increase of supervision productivity in the supermarket channel of 20%

Logistics (Dairy, Meat and Sausages):

- Decrease in dairy shortages by 67%
- Improvement in performance (km/lt) in 10%, 14% and 2% for the dairy, meat and sausage fleet respectively
- Improvement in utilization of 24% and 80% for the dairy and meat/sausage fleet respectively
- Decrease in the cost of third-party freight by 51% and 55% for dairy and meat/sausage respectively

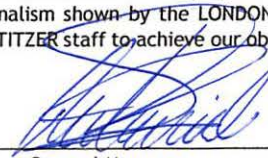
COPAC of Expenses:

- Definition of the management and monitoring models according to the nature and behavior of the commercial expense, obtaining a 4-pillar approach: (Elimination, Restriction, Negotiation, Substitution), achieved through training and constitution of the account guardians to obtain a reduction of 1.5% overall spending on impacted accounts

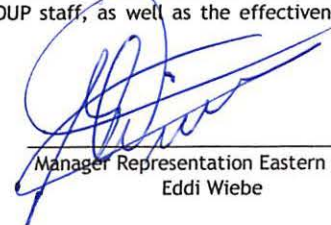
Management skills development:

- 6 Management Skills Development sessions were given with the participation of 113 people, from managers to supervisors, obtaining more than 1,210 hours of training. At the same time, 40 individual follow-up sessions were carried out with key personnel, defining action plans with the objective of promoting professional development.
- Project Fair was promoted, developing continuous improvement within the company using part of the LONDON CONSULTING GROUP methodology and integrating the personnel as a single team.

We are pleased to say that at the end of the project we have reached a return on investment of 2.3:1. We want to recognize the commitment and professionalism shown by the LONDON CONSULTING GROUP staff, as well as the effectiveness of the work done in conjunction with the CHORTITZER staff to achieve our objectives.



General Manager
Randy Ross



Manager Representation Eastern Zone
Eddi Wiebe

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Reconocida por Resolución N° 32
el 7 de febrero de 1962; Certificado
de Inscripción expedido el 18.06.1998,
otorgando inscripción N° 350

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Production (Long Life products):

- Definition and implementation of the standardized model for the measurement, management and control of shrinkage by milestones and sections of the production process for the three plants (Long life / Fresh / Lolita-Cheese)
- Decrease in shrinkage (49% in raw material, 72% in packaging and 34% in ingredients)
- 19% increase in OEE (Overall Equipment Effectiveness) and 15% in compliance with the production plan
- Increase of 171% in the compliance to days of re-sampling

Production (Fresh products):

- Decrease in shrinkage (34% in raw material, 26% in packaging and 44% in ingredients)
- 20% increase in OEE (Overall Equipment Effectiveness) and 9% in compliance with the production plan
- Incremento del 39% en el cumplimiento a días de re-muestreo

Production (Lolita/Cheese products):

- 24% increase in the use of whey
- Improvement in yield by 12% for each kilo produced of Paraguay Cheese
- Improvement in yield by 2% for each kilo produced of Sandwich Cheese
- Improvement in yield by 2% for each kilo produced of Muzarella Cheese

Maintenance (UHT, Frescos y Lolita):

- Definition of management and monitoring models according to supplier management or inhouse maintenance to maximize the availability of lines for each of the plants
- Increase in the availability of critical lines in the long life product plant (between 2% and 7% for critical lines)
- Increase by 18 percentage points in the relationship between preventive and corrective maintenance in long life products and fresh products
- 10% increase in compliance to the maintenance plan according to maintenance manuals by machine

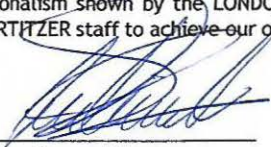
Collection of raw milk:

- 48% decrease in the variation (measurement and antibiotics) of raw milk between the dairy farm and the plant reception
- 5% reduction in cost per liter collected
- Increase of 11% in the occupation of milk transporters.


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Dairy Plant Manager
Christian Harder

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