INTERNATIONAL COMPETITION NETWORK

Merger Working Group

Merger Investigation and Analysis Subgroup

Fantasy Dairy/Just Soy Merger

Hypothetical Case Documents

ICN Merger Workshop, 12-13 April 2007, Dublin, Ireland

Introduction

The merger between Fantasy Dairy Group and Just Soy is announced in December 2006 and the final decision of the Competition Authority is expected by mid April 2007.

The table below summarises developments in the soymilk market since 2000.

	2000	…	2002	2003	2004	2005	2006	2007
Just soy	Thrive introduced in supermarkets						Dec: merger with Fantasy Dairy	
Fantasy Dairy			Joy of Soy acquired		FantaSoy introduced		Dec: merger with Just soy	
NuMilk	Entered supermarkets							
Star Group				StarSoy introduced mid year				
MetaSoy Inter.				MetaSoy introduced spring				
Ever Concept Group					EverSoy introduced			
Tesco					Own label introduced late the year			
Elysium Foods							Ambrosia entered in Jan; By Oct 6% mkt share	
SuperGrocery								3Q: expected to enter
ExtraGrocery								Planning to enter
Other Private Labels						Entered		

Index of Materials

The Groceries Journal

Special Report on Soy Milk

July, 2006

SOY IS BECOMING THE MILKY WAY

IT'S STILL NOT THE LEADING CASH COW, BUT IT'S RISING FAST

It looks like milk, it's packaged like milk, and it's even sold next to milk in the dairy case.

The Milk Promotion Foundation last year complained to the government that labelling a soy product as "milk" was misleading. But the government has done nothing to nudge soy out of the dairy case. So it appears the dairy industry will have to get used to sharing space with milk made from soybeans. And watch as more consumers buy it.

Over two-thirds of all soymilk is now sold in the dairy case, according to Harold Cresto, president of DataSoy Inc., a soy industry consultant. The first mass-marketed soymilk appeared five years ago, and the category has been booming since.

Sales of soymilk have gone from just 1.5 million dollars in 1985 to nearly 600 million forecast for this year. That's 50 percent growth in the last year alone. Sales are expected to hit 1 billion in two years, according to Cresto. As of 2005, more than half of all soymilk was sold in supermarkets, and the percentage is growing. Cresto attributes such phenomenal growth to one company – Just Soy Inc. – the first company to bring refrigerated soymilk to the grocery store, offering consumer friendly packaging and flavours that helped spark interest.

That doesn't mean the nation's Dairyland is in danger of drying up. Even if the soymilk market were to double in dollar value in two years, per capita soymilk consumption still would reach only about 5 percent of cow's milk consumption. Soymilk is currently purchased by less than 15% of households. "Soymilk really isn't a threat to the dairy industry," says Cresto. "It's a nice alternative for people with allergies or lactose intolerance, or for those who want to drink it for health reasons." Between 10 and 20 percent of the population is lactose intolerant to some degree.

Broader health benefits of soymilk have been both touted and scrutinized. In 2000, the Food Safety and Marketing Agency allowed food manufacturers whose products contain at least 6.25 grams of soy protein per serving to promote it as a product that reduces heart disease.

Most soymilk is made from hulled soybeans; some soymilks include the hull, while others contain a mixture of soy protein ingredients. The higher the protein, the “beanier” the flavour, typically. The flavour of soymilk has improved dramatically in the past few years, and additional flavours such as chocolate, chai, and mocha have broadened its appeal. Because soymilk lacks some of the vitamins and minerals present in cow=s milk – it has only one-fourth as much calcium – most commercial processors fortify it with vitamins and minerals. Enriched soymilks offer about the same amount of calcium, riboflavin and vitamins A, D2 and B12 as cow’s milk.

Soymilk’s landing in the supermarket dairy case in 2000 marked the beginning of the mainstream foray. Thrive was the first soymilk brand in the dairy case, produced by Just Soy Inc. Claudio Gordon, founder of Just Soy, decided to create a soymilk that tasted more like cow’s milk and that would be packaged more attractively than other varieties sold in natural foods stores. He added organic cane sugar, vanilla and sea salt to disguise the beany flavour, and put his soymilk in a classic milk carton. Then he dared to place it in the dairy case.

“That’s where milk decisions are made,” explains Mia Hamilton, director of marketing for Just Soy. “Initially, people didn’t know to look in the dairy case for soymilk, or even know what it was.”

People are “very agreeable” to the idea that soy “can address many different kinds of health needs,” says Cresto. “But for those not already in the soymilk camp, taste is a huge obstacle,” he said.

The Groceries Journal

Fantasy Dairy Group

Ruminant Towers, Friesian Avenue, Meadowfield

PRESS RELEASE OF 6 DECEMBER 2006

FANTASY DAIRY ANNOUNCES ACQUISITION OF JUST SOY

Fantasy Dairy Co. today announced that it will acquire Just Soy Inc. for $300 million. Just Soy is a leading producer of soy products with over $550 million in sales in 2005.

The Just Soy acquisition will dramatically expand Fantasy Dairy's presence in the market for soy products. Just Soy sells soymilk and cultured soy products under the Thrive brand name.

"Thrive is the leading brand of soymilk in this country," said Michael Owens, president of Fantasy Dairy. "Thrive created the current demand for soymilk by bringing its product to the dairy case in grocery stores." Sales of soymilk have taken off in recent years, growing from 1.5 million in 1985 to an expected 600 million this year, driven largely by Thrive's success.

"The acquisition of Thrive will allow Fantasy Dairy to increase demand for soymilk," said Kelly Smith, Fantasy Dairy's Vice President of Marketing. "Fantasy Dairy's relationship with grocery stores and other retailers will enable the company to expand the distribution of Thrive and provide consumers with more choices and better products. The combined company will be better positioned to win new consumers of soymilk in the highly competitive market for alternatives to dairy milk and other value-added beverages."

The combination of Fantasy Dairy and Just Soy will create cost synergies from the integration of common marketing, manufacturing, and business processes. Fantasy Dairy estimates the savings efficiencies from combining operations to total about $60 million annually.

Just Soy was created in 1990 by soy product innovator Claudio Gordon. Gordon, recently referred to as the 'soy wonder' by Business Futures magazine, started Just Soy after travelling through parts of the far east. But by producing soy that actually tasted great, coupled with his entrepreneurial talents, Just Soy has become one of the largest manufacturers of soy foods in the country. Its sales are growing at a rate of 3-5 percent per week.

Just Soy's Thrive! Soymilk is the fastest growing soymilk on the market and the top-selling soy beverage. Just Soy produces more than 40 soy products, including: Thrive! Soymilk, Thrive! coffee creamer, Thrive! Cultured Soy yogurt, tofu, tempeh and seitan.

Fantasy Dairy is the nation's leading processor and distributor of fresh milk and other dairy products, and a leader in the specialty foods industry. Fantasy Dairy had revenues of approximately $6.5 billion last year.

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Business This Week

The Business Courier, Friday 8 December 2006

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FANTASY DAIRY TO ACQUIRE JUST SOY INC., MAKER OF THRIVE SOYMILK

Brendan McNamara, Business Correspondent

Fantasy Dairy Co. yesterday announced that it will acquire competitor Just Soy Inc. for $300 million. Just Soy was founded in 1990 by soy products innovator Claudio Gordon. Just Soy has gained prominence in recent years with its "Thrive" line of refrigerated soymilks. Thrive was the first refrigerated soymilk sold in the dairy case and has spurred a dramatic increase in the popularity of soymilk.

Fantasy Dairy, the largest dairy producer in the country, introduced FantaSoy, its own line of soymilk nearly two years ago. While Thrive still leads the soymilk business with a 70% market share, FantaSoy has been an increasingly significant competitor to Thrive, capturing 15% of the market in less than two years.

Fantasy Dairy contends that the acquisition of Just Soy will enable it to be a more effective competitor against beverage giants such as Coca-Cola and Nestle. "The acquisition of Thrive will allow Fantasy Dairy to increase demand for soymilk," said Kelly Smith, Fantasy Dairy's Vice President of Marketing. "Fantasy Dairy's relationship with grocery stores and other retailers will enable the company to expand the distribution of Thrive and provide consumers with more choices and better products. The combined company will be better positioned to win new consumers of soymilk in the highly competitive market for alternatives to dairy milk and other value-added beverages."

Analysts, however, suggested the most significant benefit for Fantasy Dairy could well be that it will attain a dominant position in the market for soymilk. "Fantasy Dairy would control 85% of refrigerated soymilk sales, allowing the company to focus on expanding the market rather than wasting money on costly competition between FantaSoy and Thrive," said Jerry Dudley, at Veritage International Analysts.

The company predicted the transaction will face little opposition from government regulators. "We can show that this transaction is only profitable if we can expand the consumer base for soymilk," Smith noted. "It would make no sense to raise prices or introduce fewer new products when the market is doubling every year and we're trying to convince consumers to try soymilk. We're confident that the government will see that this acquisition is good for business and good for consumers." She also noted that food giant Elysium Foods introduced a refrigerated soymilk, Ambrosia, on a national basis earlier this year and the combined company will continue to face intense competition from Elysium and various regional soymilk producers.

FANTASY DAIRY PROPOSED ACQUISITION OF JUST SOY

WHITE PAPER SUBMITTED BY PARTIES

22 December 2006

Category Growth and New Entrants Will Continue To Define Competition in the Sale of Soymilk

Fantasy Dairy Group

Just Soy

Introduction

Both Fantasy Dairy and Just Soy are active in the development, production and distribution of milk alternatives, in particular soymilk. Soymilk is designed as an alternative to dairy animal milk for people with allergies or lactose intolerance, or for those who want to drink it for health reasons. It is, therefore, a product competing with rice, oat, goat and any other type of milk other than cow milk in the market for lactose free milk alternatives. Of all the major milk alternatives, soymilk constitutes the second largest segment with a share of about 40% of the overall market.

Competition to obtain shelf-space with retailers for a particular product is based primarily on expected or historical sales performance of the product compared to its competitors. Also, in some cases, companies pay fees to retailers to obtain shelf-space for its soymilk. Competition for sales is based on many different factors, including brand recognition, price, taste preferences and quality. Consumer demand for soy foods has grown rapidly in recent years due to growing consumer confidence in the health benefits of soy. While Just Soy has a leading position in the soymilk segment, soymilk competes with many other beverages and nutritional products for consumer sales, including traditional milk products.

The merger of Fantasy and Just Soy will not have any adverse competitive effects in markets in which soymilk competes. Explosive growth has attracted significant entry and will continue to do so.

There are three primary reasons why the agency should end its inquiry:

A. Any Plausibly Defined Market Must Include - At a Minimum - Both Refrigerated Soymilk and other Milk Alternatives

Internal Fantasy marketing studies show that refrigerated soymilk competes with milk, and milk alternatives, value added products like lactose free milk, organic milk, shelf stable juice and refrigerated juice. A recent internal study shows that 82% of refrigerated soymilk buyers were first time users. Of that, 72 % switched from white milk, but others shifted from refrigerated lactose free milks and juices. The study also shows that some refrigerated soymilk users switched to milk alternatives and juices. Moreover, the demand elasticity for soymilk alone is – 5.75, which is highly indicative that a market consisting of only soymilk is too narrowly defined.

Alternately, refrigerated soymilk competes with all milk alternative beverages. IRI defines and tracks a category known as "Milk Alternatives." IRI data shows that milk alternatives traditionally have sold at a premium over refrigerated soymilks, but over time the prices of milk alternatives have fallen in reaction to competition from refrigerated soymilk. For the twelve weeks ending December 31, 2000, the average price of lactose-free milk was $6.56 per gallon. For the twelve weeks ended December 31, 2005, it was 5.59 - about 15% reduction. This coincides with the emergence of refrigerated soymilk, introduced by Just Soy in 2000. Price correlation studies between the entry of soymilk and other milk alternatives further illustrate that soymilk constrain the prices of other milk alternatives. Soymilk and other milk alternatives are sold alongside each other in the dairy case at grocery stores. Soymilks and other milk alternatives are both advertised in comparison to traditional milk, positioned as healthier options.

Customers of soymilk producers are mostly large grocery chains (more than 50% and growing) and health stores, and are sophisticated purchasers. These customers are well aware of the supply sources that are readily available, including firms that could enter or expand in any given country. The slotting fees also demonstrate buyer power of the customers. Before being able to introduce a new soymilk on the shelf grocery chains grant the producer test status for some weeks against large promotional fees. If the product is accepted, supermarket chains demand slotting fees. Since the main markets for certain milk alternatives are competitive, the merged entity will not be in the position to set prices anti-competitively without taking the risk that the customers will switch to other suppliers. These chains, therefore, have enormous buyer power. In sum, objective IRI data as well as real market placement of refrigerated soymilk in the dairy case show that any plausibly defined market cannot be limited to refrigerated soymilk. At a minimum, the relevant market is milk alternatives -- of which the combined share of Fantasy Dairy and Just Soy would be less than 40%. Further, market data and competition suggest an even broader relevant market of value added beverages such as soy-based juices -- of which the combined share would be far less than 30%. The modest combined shares of any plausibly defined market obviate any competitive concerns.

B. Current Projections of Continued Growth In Demand for Soymilk Products Demonstrate that Growth is Sustainable

Competition is fierce and will become even fiercer in the future since the soymilk segment is growing rapidly. The forecast is a doubling of soymilk sales in the next few years.

Recent statistics show soymilk sales have jumped to $600 million – up almost 50% from just over a year ago. Current estimates are that soymilk sales will hit $1 billion in two years.

The organic food market is now $10 billion, having grown more than 20% annually since 1995, attracting new entry by large food firms such as Elysium, Nestle, and Pepsi. Such spectacular growth and new entry across all health foods demonstrates that increased demand for soymilk is not a fad driven by the specific health claims of soy.

Soymilk sales in supermarkets have grown over 1000% since 2000 when the first refrigerated soymilk, Thrive, was introduced. Then, Thrive was the only refrigerated soymilk sold in most areas and it competed with relatively few milk alternatives, such as the lactose-free milk, NuMilk. As of late last year, IRI reported 42 different milk alternative brands sold in refrigerated sections, of which about half (19) are refrigerated soymilks (both brand and private label).

In sum, the explosive growth of soymilk continues, and facilitates continued expansion and new entry.

C. Explosive Growth Has Supported Continued Expansion and Successful New Entry

A number of new products are expected to be introduced on the market. The internationally operating manufacturer Elysium has just this year successfully introduced a new product on the market, Ambrosia. Elysium was able to take away 6% market share from the parties to the proposed merger within 9 months. Moreover, Elysium will hit the market with a whole range of new flavors of soymilk. In addition, Pangea Foods will most likely launch a soymilk by next year. Both products compete directly with a FantaSoy and Thrive.

In addition, the vast majority of all soymilks will soon lose their brand premium and will thus be attacked from private labels brands. The leading national grocery chain Tesco introduced its own brand in late 2004 and was able to gain immediately a share of almost 10% of soymilk sales in its stores. The grocery chain Super Grocery is in the process of negotiating with a producer production of a private label. Hence, the combined entity will face vigorous competition from both other soymilk producers and large multinational grocery chains offering sufficient supply alternatives to the final consumer. Private label soymilk was introduced last year in most areas tracked by IRI.

There are at least four soymilk brands with national exposure. Thrive is sold in every metropolitan area tracked by IRI; FantaSoy (all but four); Ambrosia (65% coverage); and StarSoy (60% coverage). MetaSoy's soymilk is in 45% and EverSoy's soymilk is in almost 40% of the IRI areas.

As entrants EverSoy , MetaSoy , FantaSoy , StarSoy ; and most recently, Ambrosia all introduced refrigerated soymilks; and many more followed (including private label), Just Soy reacted by cutting prices and increasing promotions and advertising. Thrive's national average price was rising prior to the new entries and reached an apex of $8.32 per gallon in July 2003. In response to the new entries, Thrive slashed its prices such that its average volume price was $6.04 per gallon for the three months ended September 30, 2006-- nearly 30% reduction.

Today, virtually every store selling FantaSoy also sells at least two other soymilks -- and among leading retailers, many carry four or more different soymilks (including their own private label) in their refrigerated sections. There are several <u>major</u> soymilk brands sold in the refrigerated section that compete with Thrive and FantaSoy:

a) <u>StarSoy</u>: StarSoy was introduced in mid 2003. In the second quarter of last year, StarSoy's soymilk sales grew 15%, and it was picked up in 1,300 new stores. Two years after its introduction, StarSoy soymilk accounted for over 3% of all sales, and is growing rapidly.

   The Star Group, the owner of StarSoy, is a major player in health foods, with about $200 million in annual revenues. It claims to be the "leader in 8 of the top 15 natural food categories." Though its entry into soymilk has been modest, StarSoy has the incentive and financial backing to repeat its natural food success with refrigerated soymilk.

b) Ambrosia: Elysium's entry, Ambrosia, already has experienced considerable success. For example, it out sells FantaSoy in several metropolitan areas in the East. In just three short months after its introduction, its sales exceeded many established soymilks. Elysium appears to be committed for the long haul, as it recently announced a new soy processing facility in China. In terms of soymilk producers, Elysium has an unrivaled financial backing. Fantasy Dairy expects Ambrosia to rollout nationally and continue to grow - quickly.

c) Metasoy: Metasoy International is a $2 billion food and beverage company based in Hong Kong. MetaSoy has sold its established soyfood products since 1985. Its refrigerated soymilk was introduced in Spring 2003 using a new soymilk production facility.

Its total sales for the initial two months in 2004 exceeded all competitors except Thrive. It has a major presence in the West where its sales are comparable to FantaSoy. In its annual report last year, MetaSoy announced its commitment to grow its refrigerated soymilk, stating that, "to enlarge and ensure [Metasoy soymilk] market share, it is necessary to continue expanding into the mainstream channels and investing in marketing." Metasoy has the capacity at its new facility and the financial wherewithal of its parent to leverage its food national distribution and grow its soymilk sales.

In addition, the spectacular demand for soy products has not gone unnoticed by very large companies -- reports are that PepsiCo and Pangea are considering new soymilks, health/dairy blends, soy beverages and other soy products and could easily replicate FantaSoy's success with soymilk.

Barriers to entry are low. Soybeans are a commodity traded worldwide. Although a specialized and highly sophisticated facility is necessary for the processing of soybeans the cost is relatively moderate. A modern facility that crushes, grinds and extracts the water-soluble nutrients from the soybean costs about $8 million. Further processing into soymilk in a dairy requires only little additional equipment for dairies that have already a production line for extended shelf life milk. A traditional extended shelf life milk production line can be converted into a line capable of producing soymilk for a total investment of less than $3 million. That barriers to entry are low is demonstrated by the recent entries to the market.

In sum, there are numerous established competitors, new and growing entrants, and other potential entrants, all of whom have the incentive and resources to vigorously compete nationally with FantaSoy and Just Soy.

D. There is Plenty of Capacity Available to Support Expansion and Entry.

Significant capacity exists, or has been recently added, to accommodate substantial increased soymilk production and new entry. While we cannot provide comprehensive information of all available capacity given the dizzying rate at which capacity has been added in recent years, it is evident that there cannot be any sustainable capacity shortage. Additional capacity also can be added quickly and for minimal cost. Any dairy processor with 'extended-shelf-life' equipment easily could produce soymilk with minimal expenditure. The equipment used to produce soymilk can be used with few modifications to produce any extended shelf-life milk. None of the plant costs are sunk given the ability to produce other milk alternative products. Indeed, FantaSoy went from initial concept to shelf store in less than eight months. It cost Fantasy about $1.5 million in product and packaging development, consumer research, brand support and other costs to introduce FantaSoy. Additional storage and facility upgrades at four sites only cost $2.8 million to handle the additional capacity for soymilk production. New production equipment cost 5 million per line. Advertising and promotion costs were less than 4.5 million in the first year. Other soymilk producers have introduced their product in six to twelve months.

Complete product development and production at a greenfield plant capable of producing multiple sizes of extended shelf-life dairy products and soymilk could be engineered in less than 18 months at a cost under $30 million. The costs of entry could be further reduced by simply adding capacity to an existing facility. Such conversion can be done at little to no cost, as experienced with FantaSoy. A new processor can be purchased for $1.5 million, deliverable in six months. A total line of new equipment needed for soymilk production can be purchased for under 5 million (includes storage capacity that may already be available at an existing facility). Used processors and equipment are readily available for much less. Of course, an entrant could dramatically reduce its costs by entering into a co-pack arrangement with local firms -- many of which are readily available. There is plenty of capacity, and it is continuing to expand as more processors are catching on to the popularity of soymilk and other healthy milk alternatives.

Conclusion

Though it is apparent that the announced merger does not harm competition, the combination of Fantasy Dairy and Just Soy will actually create cost synergies from the integration of common marketing, manufacturing and business progress. Fantasy Dairy estimates these savings to total about $40 million annually. We are willing to provide a more detailed analysis of efficiencies, if requested.

In summary, it can be concluded that due to vigorous competition on the soymilk markets between large suppliers, the easy substitution of soymilk by other milk alternatives and the concentration of market power on the buyers' side which includes private label soymilk, the transaction will not lead to concerns over market dominance in any of the national markets.

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Excerpt from FANTASY DAIRY INC. ANNUAL REPORT 2005

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INDUSTRY OVERVIEW

The dairy industry is a mature industry that has traditionally been characterized by slow to flat growth, low profit margins, fragmentation and excess capacity. Excess capacity has resulted from the development of more efficient manufacturing techniques, the establishment of captive dairy manufacturing operations by large grocery retailers and little to no growth in the demand for fresh milk products. For the last several years, the dairy industry has been in the process of consolidating, led in part by us. As the industry has consolidated, large regional dairy processors have emerged. Consolidation has tended to lower costs and raise efficiencies in the typically low-margin dairy industry. However, consumption of dairy products remains flat and has even declined in some regions of the country. Also, we believe that innovation will become increasingly important as processors seek to increase consumption, sales and margins through product differentiation and branding.

In contrast to the staid nature of the overall dairy industry, milk substitutes or so-called "milk alternatives" have become increasingly visible. This class of products is actually a range of dairy and non-dairy drinks – some incorporate milk in combination with other flavors or substances, others contain no milk at all, though they are marketed alongside traditional milk and contain packaging and consistency similarities. While milk alternatives such as soymilk still amount to only a fraction of fluid milk sales, they are experiencing unprecedented growth in the industry and generally have higher profit margins than traditional milk. They are driven by different demand from customers, and are often purchased by lactose intolerant or health conscious individuals. This category appears to be able to sustain higher prices; as such customers are willing to pay more for the perceived benefits.

BUSINESS SEGMENTS

The Fantasy Dairy Group

We sell primarily fresh dairy products through Fantasy Dairy Group, with our product mix weighted heavily toward fluid milk. Other products that we sell through Fantasy Dairy Group include: heavy cream and whipping cream, condensed milk, cottage cheese, sour cream, yogurt, and coffee creamers.

Fantasy Dairy Group operates its business in a generally decentralized manner organized by geographic region (ie., separate North and West regional management structures). Our 55 plants give us a strong presence in each region of the country. Fantasy Dairy Group sells its products through regional sales forces to a wide variety of retail and food service customers including grocery stores, convenience stores, institutional food service, schools, restaurants and hotels. Most of the Dairy Group's customers purchase products either by purchase order or pursuant to contracts that are generally terminable at will by the customer.

Fantasy Specialty Dairy Division

Highlighting recent changes at Fantasy and the dairy industry, Fantasy Specialty Dairy Division was created as a separate division out of the Dairy Group to focus on issues unique to the milk alternative category.

The Specialty Dairy Division sells primarily longer shelf-life fluids and other dairy and related non-dairy products. Its product offerings include the growing "milk alternative" category of products: flavored and unflavored long shelf life milks and dairy-related drinks, lactose-free milks, and soymilk.

Specialty Dairy markets and sells its products primarily on a national basis to a wide variety of retail, food service and dairy outlets and in several foreign countries through an internal sales force and independent brokers. Specialty Dairy Division manufactures its products in ten plants located across the country.

As our initial acquisition in the milk alternative category, Fantasy Dairy purchased regional soymilk producer Joy of Soy, Inc. The integration proved difficult, and due to stagnant sales, Fantasy ended the brand. Following a complete re-engineering of the formula, distribution plan and marketing strategy, Fantasy introduced the FantaSoy brand. The establishment of Fantasy Foods underscores Fantasy's commitment to this high-growth category. We will continue to pursue growth strategies and opportunities to expand our product portfolio.

DISTRIBUTION

Primarily due to the highly perishable nature of its products, Fantasy Dairy Group delivers most of its products directly from its plants or distribution warehouses to its customers (grocery chain stores or warehouses) in trucks that we own or lease. We believe that we have one of the most extensive refrigerated direct store delivery systems in the country, with over 3,500 delivery routes across the country. The Company continually evaluates efforts to streamline its distribution system for dairy products. Major economies have been affected in recent years through consolidation of distribution branches and routes, with emphasis on direct truck delivery to retail stores and warehouses. The Company's Fantasy Foods products, like soymilk, are delivered to warehouses and food distributors by the Company's fleet of trucks, taking advantage of the extensive delivery system set-up for traditional dairy deliveries.

COMPETITION

Our businesses are highly competitive. We have many competitors competing for both shelf space with retailers and for customers for each of our major products, services and geographic areas. Competition in our businesses is based primarily on: service, price, brand recognition, quality, taste preference, and breadth of product line.

The Company's business is highly price competitive with relatively low operating margins, consistent with other food companies. Quality and customer service are important factors in securing and maintaining business. An important aspect of the Company's service to customers is computer ordering, shipping and billing services. The Company's Dairy business operates in a number of different geographical areas. In these areas, the Company competes against national, regional and local companies. In certain markets, some supermarket chain stores have their own dairy products processing plants. There are usually a number of competitors in each major market and product class. Some of the competitors have greater sales and assets than the Company's operations in that market. The Company's Fantasy Foods products are marketed nationally. Competitive conditions in each market vary, but the Company does not believe it has any material competitive advantage in any of its major markets or product classes.

[deal-related document provided by the merging parties]

Memorandum

To: Michael Owens, Board of Directors, Fantasy Dairy

From: Emma Peach, VP for Strategic Development; David Parker, Acquisitions

Date: 2 October 2006

Subject: Project Strive – Synergies

Last week, you asked us to come up with a figure for expected synergies from an acquisition of Just Soy. The Just Soy purchase gives us instant presence across a spectrum of health food products and enhances our own growing portfolio, particularly in soymilk. We need to move quickly and seize the rare opportunity to acquire a market leader – before one of the major beverage companies steps in. Due to the fast pace, due diligence is only now beginning.

While there has been no effort to date to study all production and distributional synergies we can expect from the acquisition of Just Soy, based upon our past experiences in integrating acquisitions – the Joy of Soy fiasco excepted – I believe we can expect to see significant savings.

There has, of course, been little chance to properly quantify the savings.

We can likely expect savings of the following types:

- Increased production utilization and run times
- Reduced purchasing costs
- Elimination of duplicative corporate overhead and related expenses
- Reduced payments for promotions/shelf allowances
- More efficient utilization of branches
- Optimization of combined route structure

As most Just Soy products will be new to Fantasy, Just Soy production will remain largely untouched. The bulk of any production consolidation savings will be driven by the only significant overlap production – soymilk. Given the expected growth in the market, plant closures do not appear the answer, unlike in our recent fluid milk acquisitions. Sharing of production techniques, aligned distribution systems and combined purchasing will produce most of the savings to be had. Also, controlling the two significant brands in soymilk could make our current fight to preserve shelf space easier, perhaps leading to reduced payments to retailers.

At this stage, based upon an analysis Emile put together (final numbers to come), an expected savings of about 40M a year appears achievable. Numbers aside, the acquisition appears a perfect fit, and gives us the best name brand in soy.

Emma

[deal-related document provided by the merging parties]

Strictly Confidential

Project Strive

Presentation to the Fantasy Dairy Board of Directors
Acquisition Analysis
15 November 2006

Fantasy Dairy Group

Target Overview

Just Soy Inc.

- Founded in 1990 by Claudio Gordon
- Leading Producer of Soy Products
  - ✓#1 Refrigerated Soymilk seller
    - →Thrive!: 70+% of category sales
    - →First company to mass market soymilk via grocery stores
  - ✓Sells a range of soy-based health products
  - ✓Excellent grocery store distribution

Target Overview (cont=d)

Just Soy Inc.

- ➢Total Sales Last Year $550M
  - ✓Tremendous soymilk sales growth
    - →Growth is 3-5% weekly!
    - →Projecting sales of over 800M in two years
- ➢Numerous, High-Quality Production Facilities

Transaction Structure

- ➢Fantasy Dairy Will Acquire Just Soy for $300M in Stock
- ➢Just Soy Will Be Merged With Our Specialty Dairy Division at Fantasy Foods

Industry Overview

Soymilk

- 600 million Sales last year
- Today, Soymilk Sales are driven by Grocery Stores Sales (Health Food Stores decreasing in importance)
- Soymilk Booming Market Growth
  - ✓Sales estimated to have grown 40% per year since 1997, with majority of the growth over the past 5 years
  - ✓Thrive's push into the dairy case largely responsible for growth
  - ✓Rapid growth attracting entry of major food companies

Industry Overview (cont=d)

Soymilk

- Market growth is fueled by
  - ✓Health & trend consciousness
  - ✓Lactose intolerance
- Thrive and FantaSoy are Top Two Brands
  - ✓ "Ambrosia" brand soymilk, recent entrant from Elysium
    - →Increasingly significant presence, especially in the West
  - ✓Numerous smaller labels compete
- As in Fluid Milk, Large Grocery Chains are Primary Outlet

Current Competitive Trends

Soymilk

- Wide-Scale attempts to establish Consumer Use of Soy in diet
- New Entrants spending to introduce
- Deep Pocket, test market advertising to determine size of market opportunity
- Growing Private Label interest in Soymilk

Soymilk Opportunity

Competitive Advantages of Just Soy

- First Mover Advantage
  - ✓ Ability to set price and quality standards
  - ✓ Spends less to place in retail and sustain #1 position
  - ✓ It is the household brand, synonymous with the product
- Good Geographic, Manufacturing & Distribution Plan = Economic Advantage
- Broad Category Presence supports Just Soy brand Leadership and Credibility Position

Transaction Rationale

Project Strive

- Strengthens our position in soymilk
  - ✓Increases access to shelf space with large customers
  - ✓Expands production capacity
  - ✓Gives Fantasy control of the leading brand name in soymilk
  - ✓Combination of FantaSoy and Thrive allows more leeway to set market pricing
- Complements Fantasy's stable of healthfoods
  - ✓Provides entry into broad range of soy-based products

Transaction Rationale (cont=d)

Project Strive

- Better positioned to battle Elysium's recent entry into soymilk
- Produces a company more able to battle the Major Beverage Companies (e.g., Coca-Cola, Nestle) for a greater share of overall beverage consumption
  - ✓Builds a superior platform for innovation
  - ✓Soymilk growth counters declining fluid milk sales
- Generates Significant Efficiencies
  - ✓40M in annual cost savings from combining facilities

Transaction Issues

Project Strive

- How do we value a First-Mover Company in a rapidly expanding industry?
- Integration of cultures and succession management
  - ✓ Joy of Soy acquisition example of what NOT to do
- Reaction of Customers
  - ✓ Loss of "renegade" brand identity with Just Soy coming under "corporate" control

[obtained pursuant to document request made to merger party Just Soy]

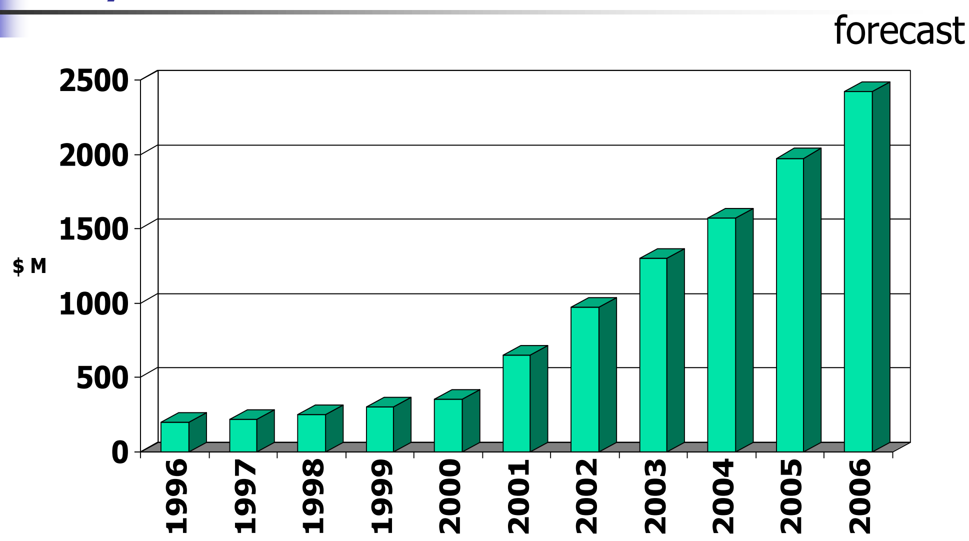
Just Soy

Soymilk Strategic Plan
December 2005

The Soy Opportuinty

- Just Soy is driving the emergence of a new market for consumer branded soyfoods.
- Forecasts put the company at $800M in annual revenues in a year

Soyfoods Growth Trend

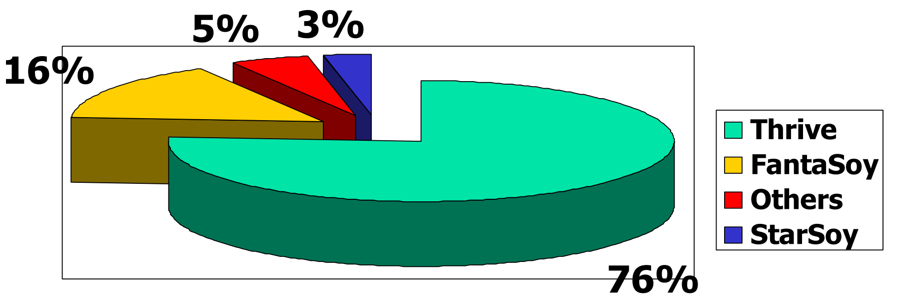


Soyfoods Trends

- Significant market growth with introduction in mass grocery chains, and consumer-friendly forms (ie., refrigerated soymilk)
- Health claims say: 'Eat more soy!'
- Soy is a renewable resource - an environmental and healthy lifestyle choice
- Increase in lactose intolerant consumers

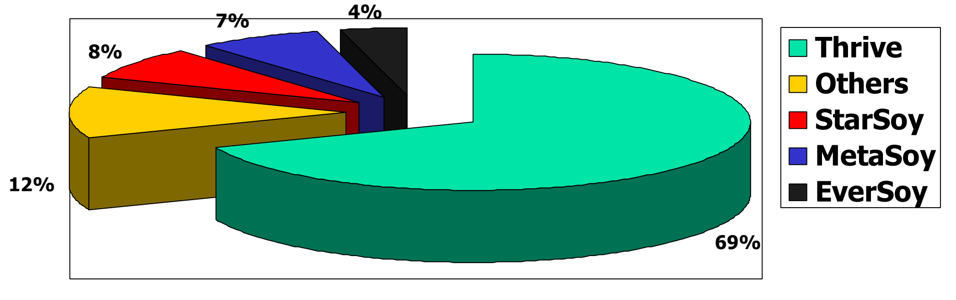
Market Share 2005 (est.)
Soymilk

Conventional Grocery Supermarkets
Share of $ Volume

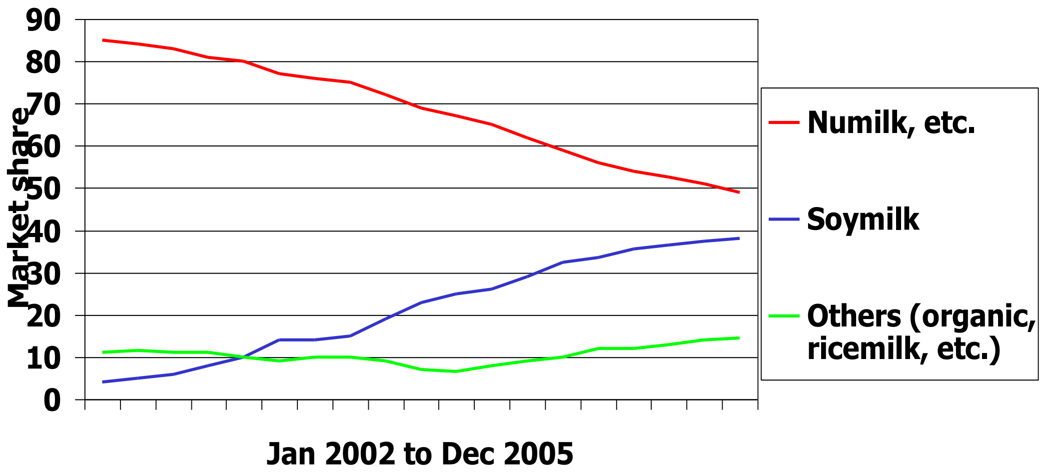


Market Share 2005 (est.)
Soymilk

Natural Foods Markets
Share of $ Volume



Milk Alternative Market



Facilities Issues

- 10 Just Soy plants across country
  - Regional distribution routes
- Distribution costs may vary significantly due to capacity issues and distance
- Considering new facilities to round out coverage
  - Desire to fill gaps in Midwest, Southeast
- Capable facility cost 25-40M, 18-24 months
  - Rumored that Elysium's facility cost between 40-50M, with addition of plastic bottling capability

The Competitive Environment

The Competition

- Traditional Grocery Chains
  - Fantasy Dairy, Private Label, StarSoy, EverSoy
- Soon to Enter
  - Elysium Foods, Pangea Foods(?)
- Natural Products Markets
  - StarSoy, MetaSoy, EverSoy, House of Health

Current Competitive Trends Soymilk

- Extensive attempts to establish consumer usage of soy in diet
- Plethora of potential new entrants willing to spend on slotting fees and introductions
- Deep pocket, test market advertising to determine size and vulnerability of our market dominance
- Introduction of more flavors of soymilks
- Broad-based private label interest in soymilk

Major Competitors

- Fantasy Dairy
  - Poor entry into segment with Joy of Soy, de-listing at some retail customers
  - Reformulation and repackaging aimed at us, appears more promising — recently became #2 brand behind Thrive
  - Revenues: only 60M but they tie up the shelf
  - Fantasy is #1 milk producer with strong financial backing. Most important competitive threat to-date in soymilk.

Major Competitors

- EverSoy
  - Soymilk introduced in 2004
  - Focus on 'natural' products; strong independent reputation
  - Licensing dispute with Fantasy Dairy
  - Limited geographic reach, plans to expand
- StarSoy
  - Strength in natural foods markets, priced higher
  - Good product, but a small operation with limited distribution
  - Small market share appears to have leveled
  - Could be a threat if teams up with a larger partner (dairy or food company)

Major Competitors (cont'd)

- MetaSoy
  - Largest soymilk producer in the world (based in Asia)
  - Traditionally the primary competitor to Just Soy (makes identical products), but presence has waned with introduction of competing soymilk brands, now only regional strength
  - Slow to migrate to grocery store business, continues to focus on natural foods outlets
  - Lack of focus/commitment in our market

Potential Competitiors

- Elysium Foods, brand to launch soon
  - New facility with plastic bottle capability
  - Unique extraction process - taste remains to be seen
  - Deep pocket potential
- Pangea Foods
  - Rumors that Pangea has done soymilk research and testing
  - Possible introduction next year?
  - Rumors about adding soy products - "Soy Twist" soy products with fruit flavors

Thrive's Competitive Advantage Barriers to Entry

- First to market yielded dominant share
- Best geographic production and distribution plan
- Investment to slot and place new soy line nationwide is 35-45M
- Advertising commitment now at 30M to keep up with FantaSoy
- Broad soy-category presence supports brand leadership position

Competitive Threats

- Large food companies who can invest in losses for 2-3 years (Elysium, Pangea)
- Market degenerates to commodity due to private label dominance, lack of branding

Branding the Category

- First mover advantage
  - Able to set price and quality standards
  - Spend less for shelf space and sustain #1 position
  - Become household brand
  - Can leverage brand into other products
- Second and Third to Market, late-comers
  - Must spend to keep up
- Early life cycle of category may require additional investment to fend off many new entrants

Just Soy – Thrive!

As innovator, we created the category.

Just Soy, STILL the future of soymilk!

Just Soy

[obtained pursuant to document request made to merger party Just Soy]

****

To: Mia Hamilton, Marketing Director, Just Soy

From: Claudio Gordon

cc: Thrive Management Team

Date: 9 January 2006

Subject: Elysium Foods Announces Entry into Soy Milk Market

****

Mia,

Elysium just announced that they plan to introduce a new line of refrigerated soymilk called "Ambrosia" at the beginning of next year. I think this is our worst nightmare realized: a major food company recognizing the potential of soymilk. They will undoubtedly bring to bear all of their marketing and technological might. This will be an extraordinarily challenging time for us.

The last major entrant into this segment was dairy behemoth Fantasy. Fantasy flopped dramatically at first with its acquisition of Joy of Soy, thanks to them rushing to market with an inferior-tasting product – of course, their complete ignorance of the milk alternative market also demonstrated that all milk is not created equal. It seems unlikely that Elysium will make the same mistakes. Fantasy has shown increasing strength since they introduced a reformulated FantaSoy product that is basically a Thrive knock-off. Our preeminent position in soymilk is now under attack from two formidable companies. (I don't see all those fringe producers that sell in health stores as our competition.)

I want a report from you by the end of the week on our response to Elysium's entry. Put together a team to address this ASAP – it's top priority here at Just Soy. Here are a few thoughts I had:

- Will we need to do more advertising and promotions?
- Will this force us to spend more on slotting fees?
- How can we convince grocery stores that carrying yet another brand of soymilk will just be confusing to the customer? (Could we even sign 'exclusive' distribution

agreements with some grocery stores?)

- Should we introduce new flavours or packaging?
- Are there other such possible entrants (large food companies)? (We need to do a better job listening to news in the market, particularly from our customers, to ensure we stay on top.)

Let’s also focus on how we can increase demand for soymilk overall so that even if we lose a couple points market share, our sales will continue to increase substantially.

Claudio

The Competition Authority

INTERNAL MEMO

To:	Fantasy Dairy/Just Soy Merger File	**Date**:09 Jan 2007

From:	Merger Branch, Retail and Wholesale Unit

Subject:	Meeting with Just Soy

Today, staff met with Claudio Gordon, founder, President and CEO of Just Soy and his counsel.

Just Soy originally started as a manufacturer of tofu. Approximately 6 years ago, Just Soy introduced 'Thrive', a soy beverage also known as soymilk. Soymilk is made from using the whole extract of soybeans with other ingredients. This concept originated from the natural produce and organic industry. The market for soymilk originally came from Asia, attracting attention to the organic and natural products industry during the 1980's. Mr. Gordon came up with the concept of refrigerated soymilk as an alternative to dairy beverages in 1999 and became the first to market the idea to supermarkets. Just Soy was the first company to produce a refrigerated soymilk product.

Just Soy currently covers approximately 88% of the supermarkets in the country. This information is obtained from IRI, the Information Request Institute, based on the number of times a product is scanned using the UPC code. Just Soy relies on IRI data to track market trends, Thrive's performance, and the presence of its competitors. Specifically, Just Soy follows IRI's soymilk and milk alternative reports. According to Mr. Gordon, Just Soy has been growing exceptionally fast over the last 2 to 3 years. Mr. Gordon attributes this growth primarily to Just Soy's Thrive quality product. Just Soy's Thrive product has an extended shelf life of up to 75 days in refrigeration.

When asked about competitors, Mr. Gordon mentioned dairy milk, NuMilk and other milk alternatives, and soymilk producers, Fantasy Dairy, Elysium, StarSoy, Soydream, MetaSoy, and others.

Dairy Milk: Mr. Gordon considers traditional dairy milk as a competitor. He noted that soymilk has some of the same nutrients as dairy milk, and is sold alongside dairy milk. It is marketed as an alternative to dairy milk. Price wise, soymilk is almost double the price of cow milk, approximately 80% to 85% higher.

NuMilk and milk alternatives: Mr. Gordon sees NuMilk as a direct competitor to soymilk, particularly lactose intolerant customers. According to the IRI, lactose-free, soy, rice, oat, goat, and any other types of milk other than cow milk are considered 'milk alternatives'. The national market share for Just Soy's Thrive product in the milk alternative category is approximately 36% with Fantasy's share at approximately 5%. He mentioned DairyEase as another milk alternative competitor.

Soymilk: Gordon identified Fantasy, Elysium, MetaSoy, StarSoy, and other regional brands as competing soymilk producers. While he noted that Fantasy is second to Just Soy in sales, he considers Elysium's Ambrosia brand, a recent entrant, as his company's biggest threat due to their health food reputation and financial capability as a large corporation.

Just Soy owns two extraction facilities for processing soy -- highly sophisticated facilities that cost about 4 million, which crush, grind, and extracts water-soluble nutrients from the soybean. This produces a soy based mix that is then transported to regional dairies capable of processing soymilk. This other portion of production is done at 8 facilities spread across the country.

Mr. Gordon chooses the facilities based on geography. Geographic desirability is important because it is most cost effective in terms of manufacturing, processing, and distribution. The cost of transportation over long distances would ruin gross margins. A facility's capacity is important to ensure high quality. Operating at or close to capacity can dilute the quality of the product.

Location of the facility is important because of the valued cost of soymilk. The addition of water to soymilk raises the worth of the product to thousands of dollars, which must be delivered safely. It is also important to be able to manufacture in several parts of the country to be competitive. Gordon estimates the maximum distance for soymilk delivery at about 800-1100 km. Distribution is not necessarily based on distance, but rather more on population density to get as close to metropolitan areas in order to achieve big savings. Currently, the majority of Thrive shipments are less than 400 km.

Mr. Gordon's original strategy was to line up with major dairies because of their existing infrastructure. Some valued-added milk products (longer shelf life milk products) use similar production equipment as soymilk. Just Soy was only able to find two local dairies that would produce its soymilk in the early days of the company, before soymilk's popularity started to grow. With little interest in partnering with Just Soy from established dairy companies in the early 1990s, Just Soy began to pursue its own growth strategy, and built its own facilities. Just Soy ended its production contracts in 1995, when it began to produce its own product. Based on his past experience with outsourcing, Gordon believes that a small soymilk producer that has a good recipe could partner with an established dairy for production. Today, he estimated the cost of product development and a capable new production facility at approximately 40 to 50 million, taking about 18 to 24 months to complete. The cost to convert a longer shelf-life milk production line to soymilk production is much less; he guessed approximately 5 to 10 million and 6 months.

Just Soy estimates it has about 75% of the current production capacity for soymilk, but noted that competitors are adding several new plants and that some dairy companies could substitute soymilk production on equipment currently used for specialty milk products.

Just Soy tracks soymilk sales through IRI data. Just Soy's approximate market share of its soymilk product, Thrive, is between 71% and 75%. Fantasy's market share of its soymilk product, FantaSoy, is between 13% and 16%, but had reached as high as 20% nationally in late 2005. Fantasy's soymilk product, FantaSoy, was introduced in January 2004. As a large, established traditional dairy company, Fantasy was able to use its production and distribution capabilities to place its product out on the market very effectively and quickly. However, according to Mr. Gordon, Fantasy's first foray into soymilk -- Joy of Soy (which they acquired in 2002) was a failure. Joy of Soy tasted "very bad", which when coupled with their complete inexperience in marketing soymilk, resulted in a disaster. After eliminating the brand, Fantasy's second attempt at soymilk, FantaSoy, was "virtually indistinguishable" from Just Soy's soymilk product, Thrive. FantaSoy has been growing exponentially, but Thrive has been growing far faster, primarily due to the difference in the market share, 4:1.

[obtained pursuant to document request made to merger party Fantasy Dairy]

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TO: Sales & Marketing Group -- Soy Milk, Regional Managers

FROM: Stuart Bergkamp, VP Sales

DATE: 10 April 2006

SUBJECT: FantaSoy Quarterly Sales Highlights

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Update on recent market events:

North Division:

Bestmarts chain: We had heard they were in talks with Elysium to produce a private label soymilk for their stores. We asked their purchasers, but they didn't reveal any definite plans. Be aware of large grocery chains looking to sell their own private label soymilk, we need a strategy to combat this new threat.

GroceryCo has lifted us from 'test trial' status to full purchasing status -- FantaSoy will be placed alongside Thrive and StarSoy. Regarding new FantaSoy business at the GroceryWay chain, like most bids moving forward, the proposal they have asked for is very detailed, came on short notice and encompasses all 5 of their northern and eastern divisions. We have a 50/50 chance to gain the number two slot on the shelf (#1 is Thrive), displacing StarSoy. Our total dairy package is the key -- smaller soy-only producers can't match it.

South Division:

While visiting some SuperGrocery stores it was interesting to see that there was no uniform placement of Thrive. One store had it in the dairy case, another had it in the refrigerated organic section in the produce department, another had it in a refrigerated case with other health beverages, and another store didn't stock it at all. Even the retailers can't classify it -- we have an opportunity to go several ways with our marketing and create a new category, distinguishing soymilk from lower volume milk alternatives.

West Division:

Western Division reports losses to MetaSoy at a medium chain (reduced our shelf space) and a 60-store natural foods outlet (totally displaced). They were slow to follow our lead, is this a late push? Might be something to keep in mind -- apparently reports of their demise were a bit early. MetaSoy still not a threat at large chains.

Thrive has countered our recent success in this region with competitive everyday pricing in many markets. The West is seeing $1.69 per litre on Thrive Quarts. (MetaSoy remains higher priced, hasn't expanded much from strength in West -- what are they doing with that brand?) Our message is that we are not selling on price, but quality and turns. Category data to reinforce our position will be critical.

Rumors. . . Western Division reports that Elysium is in talks with major chains to place their new soymilk product -- will this displace FantaSoy? How can we counter this threat?

East Division:

Thrive pricing continues to be inconsistent. I got a report that a large customer grocery chain has Thrive priced at $1.69 per litre while we are at the 1.98 suggested retail price. While I don't think .10 or even .20 difference is a problem with our superior product, this is a troublesome gap. We need to convince the accounts that low-balling the retail is not a good idea in the soymilk segment and is actually taking money out of the category that does not need to be thrown away. This isn't fluid milk -- customers will pay the premium.

MarketSmart grocery: Pricing cost us this account. FantaSoy was priced at 2.39 whereas Thrive and StarSoy are priced at 1.79. Buyer would not give us a chance to react but agreed to review in 3 months. We need to be more price competitive with our chief rival.

Overall: This is the first quarter with health-foods behemoth Elysium in the market. Their Ambrosia brand was introduced in the East and West in January to much fanfare, and we see they have been very aggressive in getting new accounts. Their ability to get trial runs at grocery stores is enviable, as they have a good reputation in other healthy products (including a line of soy-based juices). While they have been aggressive in seeking accounts, it is harder to decipher their pricing strategy – unclear whether they are positioning themselves as unique with their innovative plastic bottles and single serve containers (and thus priced at a premium) or whether they are taking on market leader Thrive. It was much easier to read the landscape when it was just Thrive and us. In any event, look for them to continue to make waves as they roll the product out elsewhere in the country. Ambrosia appears here to stay.

Stuart Bergkamp

[obtained pursuant to document request made to merger party Fantasy Dairy]

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TO: Sales & Marketing Group -- Soy Milk, Regional Managers

FROM: Stuart Bergkamp, VP Sales

CC: Maria Del Piero, Marketing director

DATE: 25 August 2006

SUBJECT: Soymilk Market

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In the first six months of 2006, FantaSoy's sales reached almost 96 million. Despite these favorable results there are some concerns that we are not doing as well as our competition.

Observations from most recent topline market review of Soy and the Value Added Milk segment, 12 weeks:

YTD Retail Sales	FantaSoy: 96M	Thrive: 432M
Soymilk Share	FantaSoy: 16%	Thrive: 72%

1. On the leading litre item, FantaSoy is priced about a 2-3% higher than Thrive nationally. Northeast is one of the few areas where FantaSoy is at a significant premium .17.
2. Thrive's average price on litres has declined since January: 2.05 to 1.95, an aggressive response to our more aggressive marketing campaign launched in first quarter of this year.
3. The leading soymilk brands, FantaSoy and Thrive, are key to the success in the Value Added segment, outpacing lactose free (NuMilk), organic, and all other soymilk brands in growth rates. Soy's household penetration (6.9%) is now greater than NuMilk and similar substitutes (5.6%).
4. We need to get IRI data from each of your markets. Please obtain the following information by market: category trends, brand sales ($, units), account specific sales for your larger accounts, ACV by brand, $ sales per point of distribution, and retail pricing.

Also, carefully review your pricing vs. your competition. We are still in the infancy of a fast growing segment and though we are ahead of budget we need to be acutely aware of our competition and how our accounts view our success.

--- Stuart

[obtained pursuant to document request made to merger party Fantasy Dairy]

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TO: Sales & Marketing Group -- Soy Milk, Regional Managers

FROM: Stuart Bergkamp, VP Sales

CC: Maria Del Piero, Marketing director

DATE: 20 September 2006

SUBJECT: Soymilk Market

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Looking over some of the recent market intelligence – particularly our pricing vis a vis Thrive, I was struck by the thought that we cannot forget we are operating in a market in its infancy. While we are close, looking at the numbers, it appears we are consistently about 3-5% above Thrive, and I wonder if our strategy of a pricing premium is justified. As you recall, from last year's pricing evaluation, we determined that an excessive price increase could prompt some stores to decline to stock FantaSoy, given that FantaSoy had not yet established a name in the market, and there were other choices available.

Thrive is uniquely positioned as the first-mover, and thus has the advantage of widespread familiarity and consumer awareness. FantaSoy is not in such a position. Rather, we must fight for shelf-space along with the many others newcomers. We do not have the luxury to price above our competitors, and indeed, with Thrive holding the line, we have little choice but to follow. This gives our customers tremendous leverage. Only Thrive is immune from this threat that keeps prices competitive.

Taking a leadership role in soymilk pricing does not come without risk to the growth engine of our brand. We cannot afford to slow our growth at a time when the market is exploding as more and more customers become familiar with soymilk. We must hold the line on prices until we can establish FantaSoy as on par with market leader Thrive. Precedent has been set via major stores in the past dropping or threatening to drop a product due to pricing. (Remember our experience with Joy of Soy – we raised prices too soon, and Thrive ate us alive.) The risks are material that certain stores may decide to "send a message" and simply stop stocking FantaSoy. Our relatively smaller market share and customer recognition puts FantaSoy at greater risk of grocery store rejection if our prices rise above competitive levels.

The good news, however, is that with our extensive experience in dairy, and commitment to marketing, customers should gravitate to the Fantasy name in soymilk. This is where we have an advantage over the smaller, soymilk only producers, and why we are uniquely situated to challenge Thrive. We need to redouble our customer acceptance efforts before another large company with a name brand known for natural or health foods enters.

For now, I believe we must match the discounts offered by Thrive. They appear to still be pricing to expand the category. If we do not follow, FantaSoy will be severely disadvantaged with larger retailers.

Where we cannot match Thrive, we need to emphasize to our grocery store customers that dropping FantaSoy would substantially consolidate their soymilk offerings and limit the choice of customers. Dropping FantaSoy would only give greater market power to Thrive, enabling future price increases for consumers, but more importantly for the grocery stores, the ability of Thrive to lower or eliminate the slotting fees it pays.

Along these lines, I want each regional manager to prepare a brief status update on current pricing and projections for the coming year. I want to meet as a group next week to come up with ways to be more aggressive.

Stuart

[Stuart Staff has obtained the following sales shares information for soymilk based upon grocery store scanner data. The data is provided nationally, and for 5 defined regions. Staff created the table based upon best information accumulated during the investigation.]

Most recent data (October 2006)

Market Area	Thrive	FantaSoy	MetaSoy	StarSoy	EverSoy	Ambrosia	Others
Total Country	**69%**	**15%**	**2%**	**4%**	**1%**	**7%**	**2%**
North	70%	12%	1%	7%	3%	6%	1%
East	68%	14%	0%	7%	0%	9%	2%
West	58%	17%	10%	0%	0%	12%	3%
South	54%	36%	2%	5%	0%	2%	4%

Data from 9 months ago (about the time of Ambrosia's entry)

Market Area	Thrive	FantaSoy	MetaSoy	StarSoy	EverSoy	Ambrosia	Others
Total Country	**74%**	**18%**	**2%**	**3%**	**1%**	**1%**	**1%**
North	74%	12%	1%	7%	4%	0%	2%
East	73%	18%	0%	6%	0%	2%	2%
West	66%	16%	13%	0%	0%	3%	2%
South	56%	37%	2%	4%	0%	0%	1%

[obtained pursuant to document request made to competitor Elysium Foods]

Ambrosia Kick-off

Taking the Dairy Case by Storm
Elysium, Inc.

10 January 2006

The Right Time

IS NOW!

- Soymilk Category (C) in its infancy
  - ✓Category growth is exploding
  - ✓Sales have outpaced projections C every year we could be looking at a 1BILLION market in two years
- Elysium is on the sidelines
  - ✓Project Soy yields C Ambrosia just 8 months from concept to store shelf!
- Uncluttered C Thrive alone has significant market presence
- Recent health reports on benefits of soy

Project Soy

- Ambrosia brand soymilk
- 8 months from concept to production
- State-of-the-art production facility
- Unique packaging; most flavors
- 50M in total expenses
- Launched in the East and West metropolitan areas, nationwide presence by mid-next year

Concept

- Position against Thrive
  - ✓Thrive created category as renegade, environmentally conscious product and dominates soymilk sales
  - ✓We can't copy them, so we position soymilk as mainstream C the 'alternative' to alternative milk
  - ✓Pull new users into the expanding category
- Goal of 5% market share in one year; #3 position in a cluttered segment
- Goal of 20% in two years; #2 brand

Raising the Bar for Soymilk

Quality Ingredients

- Made with organic soybeans
- GMO free
- Clean ingredients
- More Flavors than currently available from other brands
  - ✓Original, Vanilla, Chocolate, Coffee, Banana, Strawberry, Mixed Berry and maybe more. . .

Press Release

Excerpts

"Ambrosia soymilk combines popular and great-tasting flavors with healthy benefits -- a win-win combination."

"As part of one of the nation's most respected food producers, we have a responsibility to our customers to stay current with advances in diet and nutrition. Ambrosia soymilk continues the Elysium tradition of providing the finest, healthiest products available."

Competition

The Real Target C *Thrive*

- ❖Just Soy's Thrive brand created category
  - ✓Thrive commands a dominant share, all others scrambling to keep up C and are failing
- ❖Dairy giant Fantasy has achieved modest success
  - ✓Only other competitor of significant size
  - ✓Our short term goal we can meet and surpass
- ❖We have the know-how and money to challenge the market leaders; our overall food structure (with emphasis on health foods) is key advantage
  - ✓We can take market share at will

Target Thrive

- ❖Goal is not to meet Thrive but to beat Thrive
  - ✓Position as alternative to Thrive, more mainstream
  - ✓More flavors, sizes, choices, better packaging
- ❖US vs THEM
  - ✓90+ years of food experience vs 10+ years of soy products
  - ✓Unparalleled food reputation vs renegade health nuts

[obtained pursuant to document request made to competitor Elysium Foods]

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To: Pablo Ruiz, President, Elysium Foods

From: Freddie Kloden, Elysium Foods Director of Marketing, Soy Division

Date: 13 October 2006

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Subject: Re: Ambrosia Business Strategy Update

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Background

We launched our entry into soymilk, Ambrosia, nine months ago. Elysium saw this is as a perfect complement to our natural foods business. With its exponential growth, soymilk has the potential to be a category leader in our portfolio of health foods products within 3 years. Elysium saw an excellent opportunity to participate in a market segment experiencing exponential growth fueled by the perceived health benefits of soymilk.

The new Ambrosia has been a dramatic success. We are even outselling FantaSoy in a several metropolitan areas. Our initial launch has concentrated in soymilk's most robust markets -- the East and West. Later this year we hope to role out the product on a national basis, with full national coverage expected by mid-next year. Some of the larger grocery chains demand such coverage, and purchase on a national or multi-regional basis. We are currently at a disadvantage with such accounts, and have had little success when bidding against Thrive or FantaSoy for such business.

In an innovative move for the soymilk, Ambrosia is sold in plastic containers, rather than the traditional cardboard milk cartons. We think there is a limit to how many brands of soymilk a grocery store will carry, and our initial strategy is to displace FantaSoy from a number of grocery stores. Barring that, we will have to convince grocery stores both that our product is superior and preferred by customers, and that given the premium price commanded by soymilks, there is plenty of room in the dairy case for Ambrosia even if they decide to carry FantaSoy. (Thrive, as the market leader and best-known brand name can get shelf space at will.) Our initial sales numbers have outpaced even our most optimistic outlooks -- we are some 50% over January estimates. We appear to be taking share from both Thrive and FantaSoy in the markets where we go head-to-head.

Competition

Thrive, made by independent soy company Just Soy, is the undisputed market leader. Just Soy created the refrigerated soymilk product segment and has spurred growing demand through aggressive spending on advertising and
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promotions.

Fantasy Dairy introduced its FantaSoy soymilk about two years ago, after their failed attempt to revive the Joy of Soy brand. They made several mistakes with Joy of Soy. In trying to distinguish it from Thrive, the market leader, they employed an entirely different manufacturing process and used very distinctive packaging. This turned out to be a strategic miscalculation, however, as the product tested poorly against Thrive in taste tests; quite simply, it tasted like dirt. FantaSoy has met with modest success with a modified manufacturing process that resulted in a taste much more similar to Thrive.

There are a number of other companies that make soymilk, such as MetaSoy, StarSoy, and EverSoy. We are generally not very concerned about these small firms, as they seem ill positioned to achieve a truly national presence in the grocery store dairy case. In most parts of the country, however, there are a couple of brands that are fairly significant competitors in that region. The trend, however, seems to be towards national brands supported by large food conglomerates or dairies.

Finally, there are constant rumours that any number of other major food companies are interested in getting into this market. It's too early to tell whether any of these rumours will pan out, but we need to keep a close eye on the situation to make sure we are not overtaken from beyond while we're focusing our energies on Thrive. Perhaps the most credible rumour about entry is that Pangea Foods, our competitor across a range of food products is considering entry next year.

Even though our product has proven to be successful everywhere it is sold, Thrive is not standing by idly while we gobble up their market share. A number of supermarket chains that we have talked to recently have said that Thrive is stepping up its promotions and advertisements in response to our increased success.

Conclusion

This is an exciting time to be in the soymilk business. Demand is growing, our product is popular, and people are increasingly conscious of the health benefits of soymilk. We are well poised as a company to take advantage of this opportunity, provided that we focus on satisfying our customers and focus on taking share from the two established brands -- and we're off to a great start!

Freddie

The Competition Authority

INTERNAL MEMO

To:	Fantasy Dairy/Just Soy Merger File	**Date**: 17 Jan 2007

From:	Merger Branch, Retail and Wholesale Unit

Subject:	Interview with Elysium Foods

Staff participated in a telephone conference with Freddie Kloden of Elysium Foods, and his counsel Helene Riise. Kloden is the VP responsible for launching Ambrosia. He has been with Elysium for nine years, in a variety of roles. Elysium is a major food conglomerate with a presence in many types of food products sold in grocery stores.

Overview of Ambrosia Project

Kloden is responsible for establishing a soy beverage. He oversees every aspect of the business, including R&D, manufacturing, marketing, and sales. The only product produced by the Ambrosia division is refrigerated soymilk. This is available in half-liters container and liters in original, vanilla, and chocolate flavors. All of the products are packaged in plastic.

Extraction and Processing Details

Elysium has proprietary technology on bean extraction. Their technique results in fewer beany and grassy notes in the flavor. This technology takes a soybean, converts it into protein powder, and then re-hydrates it. Other soymilks do not turn the protein extract into powder.

Elysium emphasizes that the choice of a proprietary technology was not obvious at all. They eventually decided to go this route because they already owned patents relating to soybean processing. Little work was needed to expand their technology to soybean processing. Kloden is however of the opinion that holding a proprietary technology is not mandatory. It is possible to obtain licenses of other soybean processing technologies at a low cost and in a reasonable timeframe. Kloden strongly believes that this will be the path followed by future entrants. According to Kloden, access to technology is far less crucial than having the right strategic position, in particular with respect to the taste of the soymilk and its packaging.

Five lines are used to produce different sizes of products; the lines are dedicated to soymilk as well as to particular sizes. According to Kloden, the number of lines that are necessary is mainly driven by the formats of the bottles as a line can handle only bottles whose size remain in a tight range. Filling significantly larger or smaller bottles on this line would require lengthy adjustments. It is therefore more profitable to have dedicated lines for each size range. However, production can be significantly increased keeping the same number of lines: one just needs to increase the number of shifts.

While Elysium looked at many options for production, they decided on using one site in the middle of the country. The location was ideal for a national rollout. Additionally, the cost of having multiple plants was an issue.

The decision of building a new plant was mainly driven by the lack of available room in their existing plants and the high level of utilization of their production lines. However, other producers could decide to rely on their existing logistics (in particular if they are already active in dairy products) by installing the new production lines at the same location as their other dairy lines. They could even easily use existing filling lines with low utilization rate to produce soymilk. The adaptation costs are limited and switching from other milk alternatives to soymilk can be achieved in a few hours. It has just to be ensured that the filling line is properly washed so that there is no trace of one product in the other. However, if switching is limited to other milk alternative, cross-contamination issues are minimal. Kloden believes in particular that NuMilk could easily and quickly switch to the production of soymilk using its production lines of milk alternatives. This may be quite different in case of dairy products.

Initial Limited Rollout

The rollout began in the Northeast and in the West. They started selling the product to retailers almost one year ago. So far, the product is only in traditional grocery stores. It is not yet in convenience stores. They will begin shipping to natural foods stores and warehouse stores next year.

These areas were chosen for two reasons. First, they were areas where the soymilk market could develop the fastest due to acceptance of new ideas. Secondly, it was more manageable for existing accounts that Elysium had. There are refrigerated distribution centres in each area. Ambrosia uses Elysium trucks for shipment, and has access to Elysium refrigerated distribution centres.

Steps Taken Prior to Product Introduction

The decision to produce soymilk was made fairly early, as was the decision to market through mainstream channels. The following were steps taken over 20 months: -equipment ordering and delivery -product formulation -packaging format -importing filling equipment -staffing the new soy subsidiary, Ambrosia -accessing the infrastructure of both companies -building offices

Both the production lines took less than one year to be delivered from the time they were ordered.

Measuring Market Share

Kloden noted that they were doing very well with a strong start and is very optimistic about the further developments. Staff told Elysium that it intended to send an information request to obtain the company's key competition and business planning documents.

Cost of Entry

In order for Elysium to enter the business, they spent the following:

20-24M to set up production and processing lines (approx. 4.5 million per line)

5-6M for the facility

4-6M in a bottle-maker agreement

4-5M in development and first year administrative costs

8-9M in advertising

Additionally, slotting fess for shelf space range between 750 thousand and 1 million per product. Thus, it would cost approximately 5 million for coverage on all Ambrosia's products.

National Rollout Underway

The capacity at the plant is sufficient for a national launch, given the category size and projected growth. This takes into account the projected success of Ambrosia. The equipment is very efficient.
The national rollout is well underway. Kloden said they wanted first to make sure the product was being properly produced. The plant is new, and it was the first time they have manufactured the bottles and the product. Additionally, they wanted to gauge the reactions of their accounts, and use the limited rollout as a lead market. National rollout will likely continue through next year.

Elysium decided to produce a soymilk product due to its health strategy and the rapid growth of the category. It was seen as having mainstream potential, and that the category might grow into the billions in 4 - 5 years.

Market Competition

Ambrosia naturally sees Just Soy as the key competitor, though FantaSoy is also significant. However, there are a lot of players as the market is rapidly growing. Kloden noted that food giant Pangea is rumoured to be interested in getting into the business.

Kloden considers that the presence of other milk alternatives should not be underestimated either: the quick expansion of Ambrosia following its recent launch can partly be explained by the fact that a part of the customers consuming milk alternatives such as NuMilk have turned to Ambrosia. Kloden observed that the fidelity of milk alternative customers was not very high and that the they were strongly attracted by new products, whether it is based on soy or other milk substitutes.

Kloden believes that NuMilk and other milk alternative producers did not expect Elysium to launch a milk alternative product as early. This may explain the success of Ambrosia which went far beyond what was expected. However, there is no doubt that NuMilk is now reacting as evidenced by its recent launching of huge advertising campaigns. Kloden also expects NuMilk to introduce new milk alternative products, possibly soymilks, by the end of the year. According to Kloden, the fierce competition between the various types of milk alternative and the wave of new products it generates is one of the reasons explaining the strong growth rate of both soymilks and other milk alternatives.

Concerns about the Proposed Transaction

When asked about merger concerns, Kloden noted that the largest dairy processor would control 90% of the refrigerated soymilk market. However, he believes that other milk alternatives exercise a very high constraint on soymilk as they share the same customers and the same shelf space. He believes that this will increase competition between soymilk and other milk alternatives since it will force Elysium and NuMilk to react quickly and develop new products. Besides the higher margins on this market is already very attractive. Irrespective of the merger, it is very likely that new products will be introduced by new entrants in milk alternatives. Barriers to entry in this sector are low. New entrants can appear at short notice and gain significant market shares within a short period of time, as evidenced by Ambrosia.

The Competition Authority

INTERNAL MEMO

To:	Fantasy Dairy/Just Soy Merger File	**Date**:19 Jan 2007

From:	Merger Branch, Retail and Wholesale Unit

Subject:	Interview with NuMilk

Staff participated in a telephone conference with Claude Henry, Vice President of Marketing for NuMilk. The conversation focused mainly on the issue of product market definition for milk substitutes and the possibilities of entry in the soymilk market.

What is NuMilk?

NuMilk is a product that is designed for individuals who are lactose intolerant. In the 1980s, the company introduced NuMilk in order to help people with lactose intolerance. NuMilk is still considered to be a milk alternative, though its main ingredient is milk.

According to consumer taste-test research, NuMilk tastes like fluid milk, with the exception that it is slightly sweeter because simple sugars (which lactose is broken into) are sweeter to taste than complex sugars. Consumer perception at first is often questioning whether NuMilk is really milk, but consumers use it just like regular milk.

Category Sales and Market Share for NuMilk

NuMilk is a national brand, and is typically shelved at grocery and mass-merchandising stores. It is not typically in many natural foods or convenience stores. NuMilk last year did $320 million in retail business, or $225 million at the wholesale level. NuMilk is priced comparable to soymilk. In the west, NuMilk is priced at $1.99/liter, while it is 1.69/liter in the east. Refrigerated soymilk falls somewhere within that range, as does organic milk. NuMilk is sold in both litres and 2-liters.

According to IRI, the lactose-reduced category (which includes dairy products with lactose removed) was a 410 million category at retail last year. NuMilk, accounts for 3/4 of sales in the category. The next largest competitor, DairyEase had 60 million in business last year.

NuMilk competes only marginally with Soymilk

NuMilk's demand is somewhat inelastic measured against normal dairy products, although if dairy prices increase, it would increase NuMilk's cost, because NuMilk is made from fluid milk. If NuMilk increased prices, he thought it unlikely that lactose intolerant consumers would switch back to regular dairy products. He noted that there would be some switching to private-label lactose-reduced milk. A variety of producers make private label, including Fantasy Dairy and others.

Henry noted that if soymilk increased its prices, it would be difficult to tell what would happen. In order to get an accurate read on the soymilk market, one would have to wait until it stabilizes somewhat. Given the growth of the category, it would be impossible to tell what percentage of consumers is switching. However, he believes that soymilk is drawing some customers away from NuMilk, although he has only indirect evidence. NuMilk was growing between 13-14% annually throughout the 1990s, but this growth slowed down to 3% after the year 2000 which coincides with the introduction of refrigerated soymilk. In his view the slowdown in growth can be explained mostly by the advent of new competitors such as DairyEase and private label lactose free milk, but also by a certain market saturation. NuMilk has now a market penetration of over 85% for these consumers who want to drink milk but have to buy lactose free milk. Refrigerated soymilk, on the other hand, is bought mostly by consumers who are wellness aware and not out of intolerance against lactose. For them it does not matter that soymilk is in fact not a milk but a protein drink. However, it cannot be excluded that a part of the slowdown in growth can also be explained by the introduction of refrigerated soymilk. Therefore, there is probably some competition between the two products, and NuMilk has introduced promotions targeted at soymilk users and reduced prices in some areas.

The results so far are at best inconclusive. According to Mr. Henry, it is fair to say that NuMilk and soymilk are not the closest competitors, but rather compete at the margins. Although both beverages are lactose free drinks, they are not both milks and therefore quite different with regard to their fat, protein and mineral content. The spectacular growth rates refrigerated soymilk currently enjoys is driven mostly by the wellness trend. NuMilk's customers are those which want cow milk with all its advantages but are, for medical reasons, limited to lactose-free cow milk. NuMilk sees its corecompetences and core market in improved cow milk products rather than in milk substitutes. Consequently, NuMilk will introduce a new low-carbohydrate milk in the coming months.

Difficulty of Entry in Soymilk

Mr. Henry admitted, however, that NuMilk had plans in the past to enter the soymilk market. Being already in the dairy case adding a high margin product with some overlapping properties would have an excellent opportunity to increase the product range and reap synergies. According to him there are three steps for a successful entry:

1 cost-effective processing
2 sales force with presence in the dairy case
3 advertising and promotion campaign

While NuMilk clearly has a well established nation-wide sales force and would also have enough cash to finance the necessary campaign to introduce its brand the first step turned out to be the project killer. Mr. Henry stated that it was much easier for his company to formulate a milk-based product than create a soymilk. All their soymilk test runs they made were poor tasting. When NuMilk learned that established soymilk producers own patents and other forms of proprietary extraction technology they tried to get a licence. However, royalties were prohibitive. NuMilk's research and development department estimated that it would cost them at least two years and around 12 million dollars to get the desired results the project of launching a soymilk was abandoned end of last year.

In addition, entry will become more difficult the later it occurs. Entry has been relatively easy in the first years after the introduction of refrigerated soymilk because customers had not developed any preference yet and were tempted to switch from one product to another, as a first experience in soymilk. Customers are now much more loyal to the brand of their choice. New entrants would find it very difficult to poach customers from Just Soy and Fantasy Soy, which are seen as the best references in this field. This is evidenced by the relatively poor results achieved by Elysium with its new Ambrosia brand.

Lastly, he noted that the refrigerated section is very expensive for stores. The following chart shows average number of products carried in each store nationwide for some milk alternatives such as NuMilk and soymilk, and the average number of products held by NuMilk, Thrive, and FantaSoy. Any discrepancies in the numbers are due to IRI's rounding methods.

Date	Avg. NuMilk SKUs/store	Avg. soymilk SKUs/store	Avg. Thrive SKUs/store	Avg. FantaSoy SKUs/store
March 2003	5.4	3	2.6	Not Present
June 2004	5.1	6.2	3.5	2.2
September 2005	4.9	9.5	5.0	3.3

Private labels and other brands have made a dent in the lactose-reduced market, so an argument could be made that the same could happen in soymilk if capacity and shelf space were available. Henry did not see how a small player or new entrant could effectively get into the market, since additional entry into the category would be difficult due to shelf space concerns. On average, a store might carry two brands of soymilk. The 9.5 SKU/store figure is likely driven by the West, where the soymilk market is more developed.

NuMilk as a Possible Parallel for Thrive

In the late 1980s, NuMilk was the first and only provider of lactose-reduced milk. Now, due to marketplace expansion, there are many lactose-free or reduced products, including soymilk. NuMilk estimates that its product reaches about 86% of lactose intolerant consumers.

When asked if NuMilk's history would parallel what could happen with Thrive (move from dominant market share to being less dominant as new players enter), Henry noted that there is a finite amount of shelf space in the dairy case. A newcomer's success in the dairy case is dependent on the ability to exert market power, already having a significant presence in the dairy case, and having a local dairy to bundle products with. It would be very difficult for entrants like Elysium to compete. Elysium lacks sales force capacity and influence in the dairy case. Ambrosia's shelving to date has been relatively poor, despite paying more for slotting than Thrive. So far they have not been making a dent in the market that Henry noticed. However, Henry pointed out that it is impossible to say whether Ambrosia will stick in the market yet.

NuMilk and its Competitor as an Analogy to Thrive and FantaSoy

When asked about the effects of a hypothetical merger between NuMilk and DairyEase (another lactose-free milk producer) as an analogy to Thrive and FantaSoy, Henry thought that prices would likely not go up too much because of the presence of private label lactose-reduced milks. If price gets too high, the private label production expands. Most markets have private label, which has been around on some level since the early 1990's. Henry did not know how the entry of private label had affected pricing, though he did note that NuMilk is able to maintain a pricing premium of 10-15% over private label milk alternatives.

Merger

Mr. Henry believes that the proposed takeover of Just Soy would enable Fantasy Dairy to control the market for refrigerated soymilk. Fantasy is already today a heavyweight in the dairy case and will be able to fence off other producers of soymilk. According to him prices for refrigerated soymilk will certainly go up post merger.

In addition, Henry thinks that should the merger be cleared, it could only be on the condition that production assets and a brand be divested prior to completion.

The Competition Authority

INTERNAL MEMO

To:	Fantasy Dairy/Just Soy Merger File	**Date**:24 Jan 2007

From:	Merger Branch, Retail and Wholesale Unit

Subject:	Interview with StarSoy regarding concerns over the soymilk market relative to the Fantasy/Just Soy merger

Staff interviewed Mark Young, President of StarSoy and Thomas Basso, VP of Sales at StarSoy. StarSoy brand is owned and produced by Star Group, a natural foods company that makes juices. StarSoy introduced soymilk in mid 2003 as a test market product. StarSoy's soymilk now has a 4% share and is growing; StarSoy is looking to establish partnerships with traditional dairy manufacturers across the country to produce and distribute the product effectively nationwide. There are currently two flavors of StarSoy soymilk: Plain and Vanilla.

Market Shares

According to Mr. Young, the soymilk market shares for January 2006 are as follows:

Product	***Market Share % (Units)***	***Market Share % (Revenue)***
Thrive (Just Soy)	71.9	70.3
FantaSoy (Fantasy Dairy)	17.8	19.9
StarSoy	3.8	3.4
MetaSoy	2.9	2.8
EverSoy	1.5	1.5
Others	1.5	1.3

These figures are MarketTracker data, which is gathered from grocery store scanners.

He was also able to provide dollar share figures for a recent 4-week period which revealed Ambrosia's entry into the market:

Product	***Market Share (dollars)***
Thrive (Just Soy)	69.6
FantaSoy (Fantasy Dairy)	14.8
Ambrosia	6.5
StarSoy	4.4
MetaSoy	2.4
EverSoy	1.3

Young further stated, as of 3 months ago, according to his market data that Ambrosia is present in 31% of national accounts (large grocery chains); Thrive is present in 92% of national accounts; FantaSoy is present on shelves in 58% of national accounts, and StarSoy is present in 15% of accounts. He noted that in 42% of supermarkets across the country, only 1 or 2 brands of soymilk are present on store shelves.

Effects on StarSoy and the Market

Because of the lack of capacity at StarSoy's three plants, they have had to turn down offers from some large grocery chains because they are unable to supply them. This results in a significant loss of potential income for StarSoy.

StarSoy noted that major supermarkets all want efficiencies. Thus if one milk supplier such as Fantasy Dairy is able to provide a wide array of products including fluid milk and soymilk to a supermarket at a low price, they are more attractive as a filler of shelf space than other individualized suppliers. Mr. Young stated that he was concerned that Fantasy Dairy will be able to take the power of their distribution system, range of other dairy products and Just Soy's market share and know-how to dominate the grocery store shelves and push out smaller competitors.

Expansion options for StarSoy

As mentioned earlier, because of capacity constraints, StarSoy has had to turn down requests for its product. Currently, StarSoy soymilk is produced at 3 locations. StarSoy is speaking with two prospective suppliers, two large dairy companies that do not currently produce soymilk in the hopes that they will be able to partner with StarSoy and expand its sales and geographic reach. This approach may also lead to private label production for major grocery chains.

Traditional dairies have plenty of excess capacity. However, most of their equipment cannot be used to produce soymilk. Only the specialized lines, used to produce extended shelf life milks and other specialized milk products meet soymilk production requirements. In order to switch such a line to soymilk production requires 4.5 million minimum.

Since the Fantasy/Just Soy merger was announced, Mr. Young said that he has received two phone calls from traditional milk producers who do not currently make soymilk interested in talking about possible production agreements. One of the dairy producers said it had received an inquiry from a supermarket wanting to obtain a private label soymilk.

Soy processing and marketing

StarSoy noted that soymilk competes to a certain extent with regular fluid milk. However there is a broad base of consumers that buy soy because of its preventive health benefits, and because it is a substitute for milk for lactose-intolerant consumers. It competes to the extent that families who buy soy who also continue to buy milk will cut back on fluid milk purchases if soymilk provides some replacement for drinkers interested in it for health benefits.

Staff asked if a 5% increase in the price of soymilk would cause soy drinkers to switch to fluid milk (using the example of the cost going from 3.00 a gallon to 3.15 per gallon). StarSoy noted that a 5-10 percent raise in price would not lead to any price resistance, but that a 20-30% increase probably would.

Shipping

StarSoy noted that there is a drastic difference in price between what it costs Fantasy Dairy to ship a case of soy and what it costs StarSoy. It costs Fantasy Dairy approximately $0.60-0.70 to ship a case whereas on average it would take StarSoy about three times as much (1.75 per case) because the shipments are made primarily for soymilk and have to travel much further. StarSoy ships its product only once a week while Fantasy Dairy will be able to ship daily, giving them a competitive advantage.

Young noted that the earliest that StarSoy could increase its output by 50% would be in 8-10 months or possibly a year, which could be done by adding a new line. In order to double production, StarSoy would have to find another location. A new line might be the only way to expand now, as all other avenues seem to have been exhausted.

Ambrosia's Entry

When asked about Ambrosia's entry, StarSoy replied that it is too soon to tell. In a year, they might be able to offer an opinion. Young did note that the product itself is not a very good one, produced with inferior ingredients. They do however have a plastic bottle, which is new and innovative for the market.

Conclusions and Final Remarks

They noted that the top two brands will have a 90% market share and will have the ability to control supermarket shelves as well as distribution outlets. StarSoy noted that they are concerned about this merger. They have not yet submitted any written opposition but have talked to their counsel about it. He noted that the merger might be an opportunity for StarSoy to gain business as grocery stores might look for a second supplier.

The Competition Authority

INTERNAL MEMO

To:	Fantasy Dairy/Just Soy Merger File	**Date**:26 Jan 07

From:	Merger Branch, Retail and Wholesale Unit

Subject:	Interview with EverSoy

Staff interviewed EverSoy. EverSoy brand is owned and produced by The Ever Concept Group, a natural foods company that specialises on products with an Asian background and is mainly active in the Northern and central parts of the country.

EverSoy was introduced in 2004. It was first sold through the retail outlets that proposed other Ever Concept Group's products such as its tofu. Only plain soymilk is currently proposed by EverSoy as they focus on genuine products.

Payne explained that EverSoy's soymilk had nation-wide approximately a 1-2% share. However that was not representative of its actual strength as it has sales only in the northern and central part of the country. In these areas, its shares amount to 3-4%. They are planning to expand to other regions as they see the market for soymilk continuing to expand.

EverSoy is in dispute with Fantasy Dairy: Fantasy argues that EverSoy is using technology used in the processing of soymilk that was licensed to it on an exclusive basis. The dispute is currently in litigation. Payne claimed that the uncertainty surrounding the licensing dispute has slowed expansion plans at EverSoy. He claims that the supplier of their original processing equipment has declined to make EverSoy additional machines because of the dispute.

EverSoy has some capacity available and has agreed to produce own-label soymilks for some regional retail chains.

Barriers to entry

Payne explained that in his view there are high barriers to entry to the market. First, in order to produce soymilk with a genuine taste, one needs to use technology that is not widely available in the marketplace. Second, shelf space available to soymilk is limited in general to two brands and tends to be captured either by established brands or by integrated dairy companies. Thirdly, one needs to use a dedicated refrigerated distribution system to ship soy milk to retail outlets. In his view only major dairy companies could enter the market as long as they would get access to the technology and know-how.

Relevant market

EverSoy do not view soymilk competing with regular fluid milk. They explain that once consumers have started to drink soymilk they are very unlikely to switch back to regular. When asked about other milk alternatives, they explained that they don't taste well and that, apart from the lack of lactose, they don't offer any obvious health benefit. Indeed, the choice for soymilk would be driven by consumer preference for soymilk taste and by the unquestionable health benefits brought by soymilk. EverSoy excluded that any significant part of consumers would stop purchasing soymilk if the market price would go up by say 5 to 10%. When asked whether that would affect the growth rate of the market, they replied that it was not obvious as new consumers turn to soymilk for taste and health reasons.

Effects on EverSoy and the Market

EverSoy is concerned that the already limited access to shelf space will be even more limited after the merger.

EverSoy considers that competition at the moment only takes place between FantaSoy and Thrive. They explained that the recent launch of Ambrosia was not such a success. EverSoy real worry is that they may lose their place on the shelf to FantaSoy: they said that it has been hard enough to get into the supermarkets before this merger and, if the merger is approved, they can see many supermarkets just taking the Thrive and FantaSoy brands, alongside their own private label. When asked whether Ambrosia may replace FantaSoy in the competitive landscape, they replied that their tastes were so different that it was unlikely. If these two brands were combined in the same hands it is likely that prices will go up. They would have to follow such an increase as Fantasy has already a formidable bargaining power vis-à-vis grocery chains and could limit their access to shelves.

Payne was very willing to give his views on possible remedies. He argued that barriers to entry should be lowered by forcing the merging parties to licence their technology to third parties. He also mentioned that the best outcome would be to see that merger prohibited.

The Competition Authority

INTERNAL MEMO

To:	Fantasy Dairy/Just Soy Merger File	**Date**:31 Jan 07

From:	Merger Branch, Retail and Wholesale Unit

Subject:	Interview with ExtraGrocery on the soymilk retail category and customer perception of competition in category

Staff spoke with Stanley Rubrick, Purchasing Manager for dairy products. Extra is a large, national grocery chain.

Soymilk

Overall, Extra sells Thrive, FantaSoy, StarSoy, MetaSoy, EverSoy and Ambrosia in the refrigerated section of the dairy case. However, no Extra store sells all these brands at a single store. For example, no store outside the North and central regions sells EverSoy. Each division retains their autonomy to decide which brand has access to the dairy case. There are 12 such geographic-based divisions across the country, each with dairy managers. Rubick may bar some products and recommends some others.

At the moment, a typical Extra store stocks two or three brands of refrigerated soymilk. This usually includes a national brand (Thrive and/or FantaSoy), and a regional brand (such as StarSoy or EverSoy). Most stores offer Thrive with FantaSoy being the next most likely brand. They are beginning to offer Ambrosia in some stores as a trial period. He considers soymilk to be just one of the alternatives to milk and that consumers may switch from one alternative to the other.

When asked about substitutability between regular milk, other milk alternatives and soymilk, Rubrick explained that he believed they there is some substitution between NuMilk and soymilk. He pointed to the fact since the emergence of soymilk, NuMilk's sales had stabilised. He actually expects that NuMilk will come soon with new products aimed at gaining back sales from soymilks.

Extra is planning to launch its own private label brand for soymilk. It has entered in exclusive negotiations with FantaSoy. Their negotiations are now focussing on prices.

Merger

Rubrick notes that there is some brand loyalty in the market and therefore it is likely that the combined Fantasy / Just Soy will continue to offer two brands. He acknowledges that the merger will lead to a short term reduction of choice among nationwide brands from two to one. However, he believes that prices will not go up as, first, grocery chains like his will put competitive pressure by offering own label products and, second, grocery chains like Extra would then be able to turn to Ambrosia to replace FantaSoy if the merged entity would try to increase prices. Finally, customers are aware that there exists other lactose-free alternatives to cow milk.

The Competition Authority

INTERNAL MEMO

To:	Fantasy Dairy/Just Soy Merger File	**Date**:02 Feb 07

From:	Merger Branch, Retail and Wholesale Unit

Subject:	Interview with SuperGrocery on the soymilk retail category and customer perception of competition in category

Background

Super is a large, national grocery chain. Ms. Hooper is the Category Development Manager for Super Corporate Brands, which include all private label dairy categories. Her duties include marketing to develop new products for retail sales. Hooper manages a team that determines the choice of products in each category from which regional divisions may select for purchase. Ms. Hooper has final responsibility for Super's private label business in the dairy category. (Note the 'dairy' division at Super includes non-dairy items sold in the dairy case, thus the responsibility for soymilk.)

Soymilk

Overall, Super sells Thrive, FantaSoy, StarSoy, MetaSoy, SoyDay (apparently a small brand sold in the Northeast), and Ambrosia in the refrigerated section of the dairy case. However, no Super store sells all these brands – the soymilk offerings vary across stores. For example, no store outside the West Coast sells MetaSoy. Deciding which brand has access to the dairy case is left to each division. There are 9 geographic-based divisions across the country with dairy managers. The vendors for soymilk call on the managers, who then decides which brands get stocked in the dairy case. Although there is an internal management division who recommends some products, each division retains their autonomy.

A typical Super store stocks three brands of refrigerated soymilk. This usually includes a national brand (Thrive and/or FantaSoy), and a regional brand (such as Ambrosia or StarSoy, at the moment). In the future, Super hopes to carry a private label brand as its third option. However, it is ultimately up to each division's discretion when deciding on which brands have access to the dairy case. Thrive usually receives the most facings (or shelf space), for, as she explained, Just Soy took refrigerated soy milk from the 'health food outlets' to 'mainstream supermarket.' She believes just about every Super store sells Thrive. They created the category and are the only one with customer recognition. She said that if your store has a soymilk section, it has to start with Thrive. FantaSoy is the next likely brand on any store's shelf, filling the 'regional' slot, though FantaSoy has all but become the second national brand. She cited areas in the Midwest where FantaSoy actually outsells Thrive. Ambrosia pitched their product earlier this year, and Super bought some for test runs in certain markets.

Private Label

Currently, Super does not have a private label refrigerated soymilk. However, due to the explosive growth in the category, they are trying to find a vendor who will produce the right product for the right price. She thinks there is a large untapped market and if Super can get in with its own private label, they could probably attract many more customers to the product and steal some of the explosive growth that the major brands have seen.

Super has been looking for a vendor to produce a refrigerated soy product for about a year. There is a team procurement group that oversees this process. They receive product submissions from vendors, which are rated by quality and price. Most of the submissions have been "okay" as far as the quality goes, but the "major block" in the process has been the price. The minimum standard for the quality of the product has to be "national brand or better". The team compares and samples the submissions in a lab. Lots of products have been discarded and many have also been re-submitted with changes. Currently, Super has a product they like and are interested in, but it is too expensive. Hooper admitted that they had no idea a year ago that it would be as difficult to bring in an acceptable soymilk private label.

The expected time for Super's private label product is around the 4th quarter of this year. Super is in negotiations with another dairy to entice them to expand to soymilk production. If nothing works out between them, they will keep looking for another vendor. The tentative price recommendation for their refrigerated soy product is 10% to 15% lower than the branded product. Hooper considers the private label refrigerated soy product as a competitor of the branded product, especially in competing for shelf space in the dairy case. She thinks that there is a "milk alternative customer looking for something other than regular milk," where this customer is willing to pay a certain premium for "non-mainstream milk." She also thinks that the more soymilk products that are added, the more they will sell, but they haven't "reached category saturation yet".

Merger

Ms. Hooper is guessing that Fantasy and Just Soy will try to drive out small fringe players and own the case, but she does not know how successful they will be because of brand/regional loyalty. She also thinks that Fantasy will try to retain separate brands of soymilk. She hopes Super will be well positioned with its private label produce by the end of 2007, being able to offer an alternative to the dominant brands. Ms. Hooper does not see Ambrosia as doing that well because they had to pay for shelf space (slotting fees), and she is not sure if people really need another soymilk. Staff is preparing a limited information request for Super Grocery's documents relating to soymilk vendor selection.

[obtained pursuant to document request to customer SuperGrocery]

>>

To: Melissa Hooper, Category Dev. Manager

From: Tim Pappas Campbell

Date: 14 June 2006

Subject: Soymilk Market

>>

Melissa,

Elysium Foods recently approached us with a request to carry their new line of Ambrosia soymilks in our dairy case. This led me to think a bit about this market, so I thought I'd pass on my take on the current situation.

Currently, we feature Just Soy's Thrive! line of soymilks at our stores. We have carried Thrive almost from its introduction, and it has been a very successful product. They created the current ever-increasing popularity of soymilk, and are the undisputed category leader. (Three years ago, we dropped MetaSoy after a long history of disappointing results with their product, which simply does not sell well at mainstream groceries, and is not made for the dairy case.)

Last week, Ambrosia asked me what it would take for us to carry them. I then talked to Just Soy and FantaSoy to gauge their current attitude to the market. Just Soy recognized the threat of Ambrosia and said they will respond through aggressive discounting and slotting fees if we agree to stick with Thrive as our premier brand and leave Ambrosia off the shelf. (We buy a lot of products from Elysium, however, so it may be in our interest to give them some shelf space for a limited period of time even if Just Soy's proposal would otherwise be enticing.) FantaSoy, which we carry at most of our stores as a solid #2 brand, oddly seemed unconcerned by Ambrosia. They seem to be focusing all their efforts on stealing share from Thrive. This seems counterproductive to me – the industry is growing so quickly that there is plenty of room for everyone. Every time we add more soymilk products – including when we added FantaSoy itself – we see even greater gains in soymilk sales. While there's obviously a limit to how far we can go – we're not going to carry as much soymilk as dairy milk, for example – I don't think we're there yet. My initial feeling, therefore, is that we should seriously consider adding Ambrosia to our lineup.

I also think we need to start looking into private label soymilk. While there is no track record of private label success in this industry, demand is growing so fast I really think we need to get a piece of the market. I recommend we start talking to dairies and other companies to explore adding private label. I also recommend we continue discussions with Ambrosia (while hearing out Just Soy's offers) and consider adding shelf space for soymilk in our dairy cases.

Tim

The Competition Authority

INTERNAL MEMO

To:	Fantasy Dairy/Just Soy Merger File	**Date**:06 Feb 07

From:	Merger Branch, Retail and Wholesale Unit

Subject:	Interview with Mountain Dairy on entry

Staff interviewed John Denver, representative of Mountain Dairy, in the presence of the company's counsel.

Mountain Dairy produces dairy products since 1920. It is active predominantly in the south and western part of the country. Mountain Dairy's market position has suffered considerably due to the consolidation process in the dairy industry with the formation of large regional dairy processors like Fantasy Dairy.

Denver pointed out that the company has, for some years now, been planning to enter the growing market of soy milk which still offers considerable profit margins.

Barriers to entry

Denver stressed that entry to the soy milk market was not without problems. He underlined that costs for a dairy company were substantially lower that for other potential entrants since it is possible to convert a longer shelf-life milk production line to soy milk production. Such conversion would cost $8-12 million and take around 6-10 months. He stressed, however, that an extraction facility to process soy beans was needed. According to Denver, the extraction process is crucial for the success of the product because it influences the taste of the product. He pointed out the difficulties Fantasy Dairy faced when taking over regional soy milk producer Joy of Soy, a product which could not be successfully marketed due to its bad taste.

Denver underlined that his company had licensed a proprietary extraction technology about a year ago. His company was currently working on building up a high-quality soy milk product line to be marketed in natural food and selected supermarkets in the south and the western part of the region. Denver mentioned that building up a national distribution network was too costly. He also noted that is was difficult to have access to shelf space in the large supermarket chains. This was all the more true after the entry of Elysium, but also in view of a prospective entry by Pangea. He noted that due to the large quantity of products offered by the companies, supermarket were more likely to accept to stock a soy milk product offered by them. In turn, products of other companies without such a broad product range would face more difficulties in placing their products.

Fantasy Dairy
Just Soy Inc.
Merger

An Economic Analysis
Presented to the Competition Authority

12 February 2007

Economists R Us

1

The Transaction

Fantasy Dairy is to purchase Just Soy Inc. for 300 Million

The Parties

Fantasy Dairy: Nation's leading processor and distributor of fresh milk and other dairy products. Also active in "milk alternative". Entered soymilk production 2 years ago (Fantasoy).

Just Soy: #1 soymilk company. Aside from soymilk, also produces a range of soy-based health products.

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2

Executive Summary

- The proposed merger is pro-competitive:
  - Market shares are sufficiently small to annul any competitive concerns
  - The elasticity of demand indicates that market power is non-existent, so prices cannot rise
  - Entry is inexpensive and timely
    - ✓Several companies are poised to enter
  - Significant efficiencies will be realized, leading to lower prices

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Presentation Overview

- Product Market Definition
  - Includes at least all non-dairy milk substitutes
- Market Shares do not raise a concern
- Elasticity of Supply by Existing Competitors
  - Competitors can easily expand production
- Ease of Entry
  - Firms poised to enter market
- Elasticity of Demand Analysis
  - Price increase unprofitable
- Significant Efficiencies
  - Cost savings will be passed on to consumers

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Product Market

- Correct definition – Milk and milk alternatives
  - More narrow definition – Milk alternatives

- Indications for market definition:
  - Serve same function
  - Effect of sales of soymilk on sales and prices of other milk alternatives
  - Price correlations between goods

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5

Product Market

Functionality and Substitutability

- Milk, Soymilk and other milk alternatives all serve the same function, and are used for identical purposes. They also compete for shelf space
- While some consumers of milk alternatives are lactose intolerant, and thus will not substitute to milk as a result of a price increase, others are not
  - Based on a survey we conducted, over 70% of *soymilk consumers* are *not* lactose intolerant.

HENCE:

Proper Market Definition: **Milk and Milk Alternatives**

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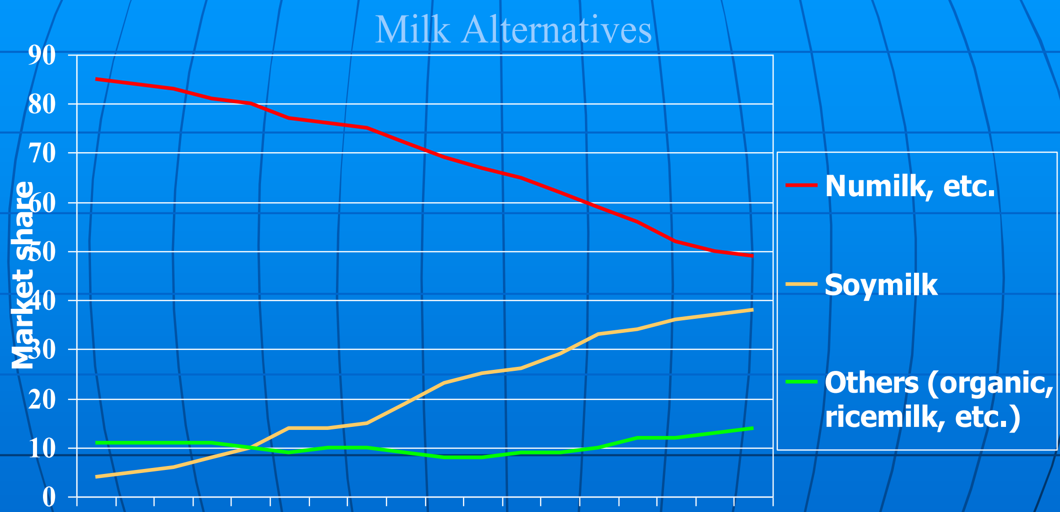
6

Product Market



Soymilk success came at expense of other milk alternatives!

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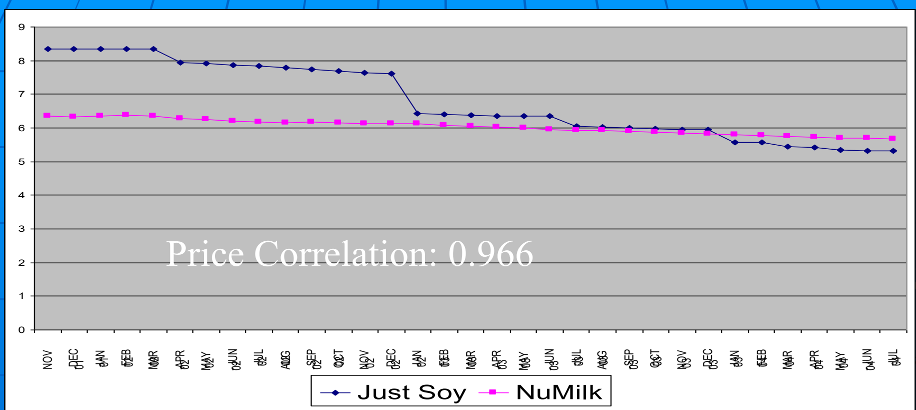
7

Product Market



- NuMilk price falls with increased soymilk sales
- High correlation <u>despite</u> soymilk entry pricing
- Today, price levels virtually identical

High correlation indicates products in same market

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8

Market Shares

In narrowly defined milk substitute market

	Market Share
NuMilk	36%
Thrive	26%
DairyEase	6%
FantaSoy	5%
RiceMilk	4%
Ambrosia	2%
Others	21%

Pre-merger HHI = 1443

Change in HHI = 260

Post-Merger HHI = 1703

With wider market definition (including milk) post-merger HHI ***less than 500*** and change ***less than 100***.

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9

Elasticity of Supply – Current Competitors

- Most competitors are producing well below capacity

	Capacity Utilization
NuMilk	62%
DairyEase	73%
Ambrosia	35%
RiceMilk	70%
MetaSoy	33%
StarSoy	92%
EverSoy	53%

- MetaSoy – largest producer of soymilk in world
- In addition, cost of expansion minimal – 1.2-1.5 MM

Competitors can supply any decrease in output by merging parties

Economists R Us

10

Ease of Entry

Cost of Entry

- Soybean Processing Plant 8MM
- Production Line 5MM

- Timely entry – about 6 months from inception to production
- Numerous companies that can enter quickly (rumored entries: Pangea Foods, PepsiCo)

Fantasy entered in 8 months, at a total cost of 8.5MM!

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Ease of Entry

Market Penetration

- Consumers have demonstrated willingness to switch between products
  - Switch from other lactose-free milk to soymilk
  - Speedy penetration of FantaSoy and Ambrosia:
    - ✓ FantaSoy – captured 15% of soymilk sales in its first year!
    - ✓ Ambrosia – captured 7% of soymilk sales in its first nine months!

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Demand Elasticity

Assuming "Soymilk" Market Definition

- ❖Price fell from \$7.02 per gallon in January 2000 to \$5.32 in July 2004
- ❖Sales over same period increased from 17 Million Gallons per annum to 147 Million Gallons
  - ➢**Arc-Elasticity of Demand of –5.75!**
- ❖Price increase likely to be highly unprofitable
- ❖High elasticity suggestive that market too narrowly defined!

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Efficiencies

- ❖Savings estimated at over 40MM per annum!
  - ➢Savings from:
    - ✓Increased production utilization
    - ✓Reduced purchasing costs
    - ✓Elimination of Overhead
    - ✓Reduced payments for promotions
    - ✓More efficient utilization of branches
    - ✓Reduced shipping costs due to more optimal route structure

Cost Savings will undoubtedly be passed on to consumers leading to lower prices

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Fantasy Dairy Group

Ruminant Towers, Friesian Avenue, Meadowfield

Mr Eduardo Elgar
General Counsel
E.Elgar@FantDa.com

15th March 2007

Highly Confidential

Mr S. Smith – Inquiry Director
National Competition Authority
Veritas Boulevard
Prudence

Dear Simon,

Re: Just Soy!

As discussed at our meeting of 12th March, Fantasy Dairy Group considers that the agency's analysis is fundamentally flawed in its proposed adverse finding regarding Just Soy's merger with Fantasy. We have responded in detail to the concerns you expressed. We have provided abundant factual evidence to demonstrate that soy milk products compete in a broad market of milk products and that the threat of entry into the soy milk segment will create a substantial competitive constraint on the merged entity.

Without prejudice to the above views however, we have developed a proposal, in the interests of rapidly concluding the transaction, which remedies the agency's concerns effectively and comprehensively.

We propose to divest substantially all of our FantaSoy business to an independent purchaser. The divestiture will include licensing of key intellectual property rights to the purchaser including the current FantaSoy recipe. More detail regarding the proposed divestiture is shown on the attached appendix.

The proposed divestiture will self evidently restore the pre-merger market structure. Although the divestiture will involve some sacrifice of merger economies, we believe that the merger of Fantasy and Just Soy will still realise three-quarters of the economies we previously anticipated.

Highly Confidential

We have had fruitful exploratory discussions with StarSoy as the prospective purchaser of the divestiture package. As you are aware, StarSoy is highly regarded in the industry for the quality of its soy products. StarSoy is confident that it will have access to sufficient financial resources to facilitate purchase and development of the business. A divestiture to StarSoy should not give rise to any adverse concentration issues. We, of course, wish to secure an acceptable level of proceeds from the sale and this we believe we will achieve whilst allowing a competitor to develop so that the concerns of the agency are fully allayed.

We have put forward this proposal in the interests of being able to proceed expeditiously with the proposed merger. We consider that in view of the degree of interest in entering the soy milk segment, it would be both unnecessary and disproportionate to delay completion of the merger until the divestiture is agreed.

We are eager to present this proposal to the agency in person and discuss the implications in detail.

Yours sincerely,

Mr Eduardo Elgar
General Counsel

Appendix

Highly Confidential

Fantasy Divestiture Proposal

Divestiture Package	All assets solely or predominantly employed in the FantaSoy business including production plant, raw materials, final products and dedicated distribution vehicles. Assignment of FantaSoy retail and wholesale contracts. Licensing of patents, trademarks and production formulae for sales related annual fee.
Interim Capacity Agreement	Continuing access to production plant used jointly for production of FantaSoy and other dairy products for a period of 18 months at current programme levels. Renewable on mutually agreeable terms.
Interim Transport Agreement	Distribution of FantaSoy products to current retail and wholesale clients at agreed marginal rates for a period of 18 months. Renewable on mutually agreeable terms.
Basis of Consideration	Up front payment of X million. Sales related fee of 5% of sales achieved in the first 24 months.

Fantasy Dairy Group

Proposed merger with Just Soy Inc.

Presentation to the Competition Authority

20th March 2007

1

Presentation Overview

- ✓Why the merger is not detrimental
- ✓A proposal to eliminate concerns
- ✓What the proposal will achieve
- ✓A suitable purchaser
- ✓A way forward

2 Fantasy Dairy Group

Why the merger is not detrimental

A recap on overwhelming evidence:-

- ✓ Market should include all milk alternatives on any reasonable market definition.
- ✓ Ease of entry
- ✓ Competitors can easily expand
- ✓ Strong countervailing buyer power
- ✓ Significant efficiencies

3 **Fantasy Dairy Group**

A proposal to eliminate concerns

In the interests of a speedy conclusion we are prepared to divest all relevant parts of the FantaSoy business :-

- ➢ All significant assets used in FantaSoy supply including relevant trademarks and other IP rights
- ➢ Assignment of retail and wholesale contracts
- ➢ All necessary interim support for transport and production

- ▪ Considerable interest from a very suitable purchaser
- ▪ We are prepared to contemplate sales based consideration to facilitate divestiture.

4 **Fantasy Dairy Group**

What the proposal will achieve

- Restores pre merger structure – in fact a stronger number 2

Structure of national soy milk 'market'	
Thrive in Fantasy	69% (no change)
FantaSoy/Star Soy	19% (up from 15%)
Elysium's Ambrosia	7% (no change)
MetaSoy	2% (no change)
EverSoy	1%
Others	2%

- Enables StarSoy to overcome production constraints
- Preserves majority of merger efficiencies

5 **Fantasy Dairy Group**

A suitable purchaser

StarSoy is a very suitable purchaser

- Strong reputation for the quality of its products and Soy product expertise.
- Sound financials –deal structure will not stretch StarSoy's financial capacity.
- Lack of production capacity has been main constraint on StarSoy – proposal pro competitive –StarSoy can now take its place as a main competitor
- Intense discussions have established feasibility – StarSoy eager to proceed

6 **Fantasy Dairy Group**

A way forward

- Already in substantive agreement with StarSoy regarding substance of divestiture – negotiation of detail now progressing.
- We have also received strong expressions of interest from other operators with strong dairy connections
- We have made the proposal to progress the merger without delay.
- Agency approval sought to proposal – disproportionate to require up front buyer given low risks.

7 **Fantasy Dairy Group**