

Ex. 52A

Cost of Production--Order 131

	Order 131 Blend Price	ERS Data (Fruitful Rim, California)	CDFA Data	Average Costs	Order 131 Blend Price Less Average Cost of Production
January 2001	12.37	13.94	12.52	13.23	(0.86)
February	12.48	13.94	12.52	13.23	(0.75)
March	13.31	13.94	12.39	13.17	0.14
April	14.07	13.94	12.39	13.17	0.90
May	15.11	13.94	12.73	13.33	1.78
June	15.88	13.94	12.73	13.33	2.55
July	16.08	13.94	13.07	13.50	2.58
August	16.39	13.94	13.07	13.50	2.89
September	16.70	13.94	13.25	13.60	3.10
October	15.01	13.94	13.25	13.60	1.41
November	13.73	13.94	12.95	13.44	0.29
December	12.71	13.94	12.95	13.44	(0.73)
January 2002	12.81		13.01	13.01	(0.20)
February	12.46		13.01	13.01	(0.55)
March	11.91		12.62	12.62	(0.71)
April	11.79		12.62	12.62	(0.83)
May	11.51		12.73	12.80	(1.29)
June	11.22		12.73	12.80	(1.58)
July	10.87		13.07	13.18	(2.31)
August	11.04		13.07	13.18	(2.14)
September	11.03		13.28	13.28	(2.25)
October	11.38		13.28	13.28	(1.90)
November	11.14				
December	11.07				
January 2003	10.97	14.45		14.45	(3.48)
February	10.63	14.24		14.24	(3.61)
March	10.29	13.87		13.87	(3.58)
April	10.34	13.83		13.83	(3.49)
May	10.45	14.04		14.04	(3.59)
June	10.47	13.99		13.99	(3.52)
July	11.53	14.21		14.21	(2.68)
August	12.94	14.06		14.06	(1.12)
September	13.98	14.37		14.37	(0.39)
October	14.31	14.52		14.52	(0.21)
November	13.74	14.47		14.47	(0.73)
Average					(0.81)

Sources: ERS Data 2001: "Agricultural Income and Finance Outlook," September 26, 2002 p. 62 Data for "Fruitful Rim"
 ERS Data 2003: USDA website; Cost Data for California
 California Department of Food and Agriculture
 Federal Market Administrator's Data

Cost of Production--Order 124

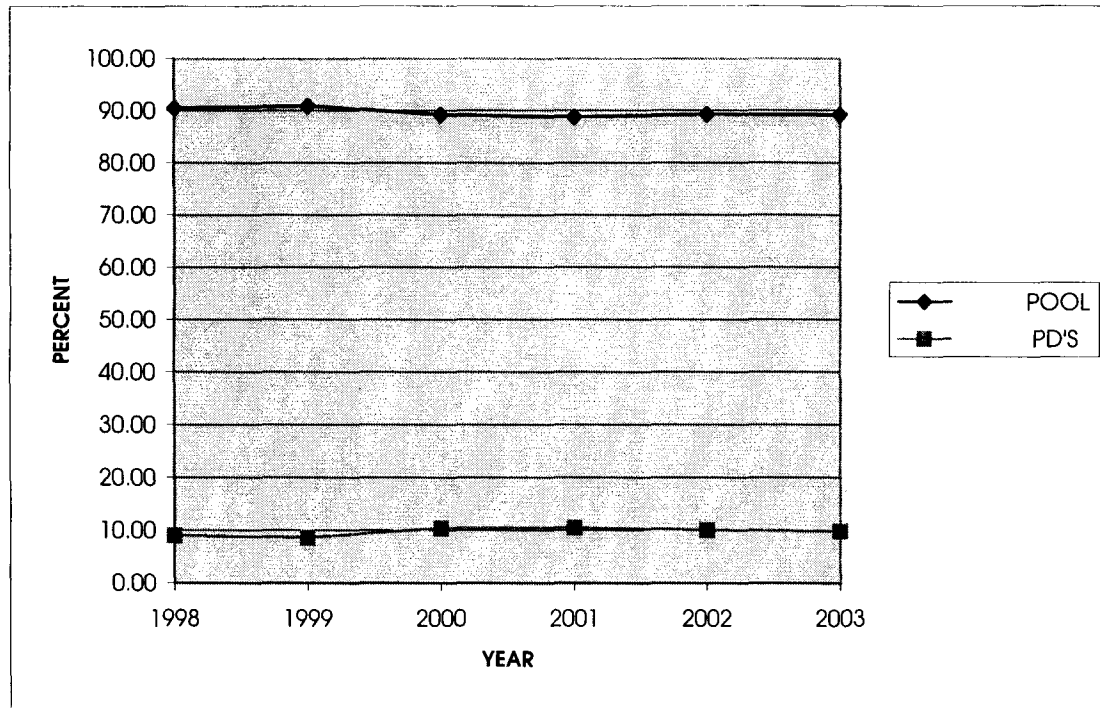
	Order 124 Blend Price	ERS Cost Data (Idaho)	Order 124 Blend Price Less Average Cost of Production
January 2003	10.76	16.22	(5.46)
February	10.44	16.37	(5.93)
March	10.13	16.08	(5.95)
April	10.21	15.80	(5.59)
May	10.38	15.80	(5.42)
June	10.37	15.37	(5.00)
July	10.93	15.23	(4.30)
August	11.66	15.22	(3.56)
September	12.54	15.42	(2.88)
October	13.05	15.70	(2.65)
November	12.95	15.91	(2.96)
Average			(4.52)

Sources: ERS Data 2003: USDA website; Cost Data for Idaho
 Federal Market Administrator's Data

PERCENT CLASS 1 SALES

PERCENTAGE OF FO 124 CLASS 1 SALES

YEAR	POOL	PD'S
1998	90.51	9.00
1999	90.94	8.60
2000	89.21	10.43
2001	88.77	10.46
2002	89.24	10.08
2003	89.14	9.82



Puget Sound Business Journal (Seattle) - November 23, 1998
<http://seattle.bizjournals.com/seattle/stories/1998/11/23/story3.html>

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EXCLUSIVE REPORTS

Milk squeeze

Dairies face consolidation

Nancy J. Kim
Staff Writer

A big pool of Vitamilk Dairy Inc.'s business could dry up once Safeway Inc.'s pending acquisition of Alaska's biggest supermarket chain closes.

If so, the privately held Seattle dairy will join a growing number of milk producers nationally that are getting squeezed out of some of their biggest grocery accounts.

The supermarket consolidation is driving many dairies into consolidation moves of their own. For Vitamilk, Northwest giant Darigold Inc., and smaller players such as Wilcox Farms, the changes pose crucial questions.

Vitamilk supplies milk to Alaska's Carr-Gottstein Foods Co., which Safeway is buying in a \$110 million deal expected to close next quarter. Now Vitamilk is prospecting for new business to make up for the possible loss.

"I won't suggest who those prospects are, but we're looking at new customers and new product lines," said Daryl Vander Pol, executive vice president of Vitamilk.

It's already smarting from business lost when Fred Meyer Inc. bought Quality Foods Centers Inc. early this year. The supermarket industry's consolidation has left Vitamilk's dairy plant in Seattle's Green Lake district with considerable idle capacity.

The merger mania among grocers has produced a cascading effect on the dairy industry. Many of the country's independent dairies have sold out to acquisition-thirsty players.

Vander Pol conceded that Vitamilk's projected annual sales are off from 1997 figures, due to lower sales to QFC.

Vitamilk has had suitors, and Vander Pol expects such courting to continue.

Nonetheless, he said, "There is a place for independent operators. We still have a place in this market."

Industry watchers speculate over the fate of companies like Vitamilk amid aggressive consolidation among dairy processors.

Dairy Farmers of America, the nation's largest dairy cooperative, recently purchased a 40 percent stake in Wilcox Farms in Roy.

One of the country's biggest dairy processors, Chicago-based Dean Foods, has been snapping up companies at a rapid clip. Jeff Menashe, an associate with Seattle-based investment banker Exvere Inc., said Dean Foods has been buying a new dairy operation every two months. Exvere recently completed a study on the dairy processing industry.

Paul Arbuthnot, vice president of Sunshine Dairy Foods Inc. in Portland, said, "Dean Foods just got into Northern California. They've got to be looking in the Northwest."

Dean Foods did court Seattle-based Darigold Inc. a few years ago, but those talks proved fruitless. Kansas City-based Dairy Farmers of America has also eyed Darigold.

Darigold once supplied 20 percent of the dairy products sold at QFC stores, but no longer sells much to the Bellevue-based chain.

Doug Marshall, vice president of public affairs for Darigold, said that decline occurred before QFC was folded into Fred Meyer.

Darigold holds a much larger stake in the local market. The private company processes milk, cheese, ice cream, butter, dry milk items and assorted cultured products, for annual sales exceeding \$1 billion. Accounting for two-thirds of the milk produced in Washington and Oregon, Darigold is the prime acquisition candidate for any competitor seeking entree into the Northwest.

Marshall said that Darigold has no intentions to sell out: "We're a cooperative and the strength is having a market for the owner member's milk. It would not make sense to sell our processing assets that represent our market."

In fact, the cooperative has been posturing itself as a buyer rather than a seller. On Aug. 31, Darigold announced its intent to buy a dairy in Eugene, Ore. The deal to buy Echo Spring, a producer of milk, cottage cheese and sour cream, has been stalled, but Darigold hopes to seal the deal by the end of the month, said Marshall.

Exvere's dairy study points to other factors besides supermarket consolidation that will spur similar merger activity in the Northwest dairy industry. Large-scale dairy operations are shifting dairy production from rainy climates to dry climates, specifically the Southwest.

Those large rivals will push prices down and make it harder for small producers to compete.

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After 60 years, Vitamilk is closing Green Lake plant

By Ben Aguirre Jr

Seattle Times business reporter

After more than 60 years of producing milk products at a facility near Green Lake, Seattle-based Vitamilk Dairy announced yesterday it will halt production of milk today, leaving 75 employees without jobs and causing a mixed reaction among community members.

However, the company plans to continue production and distribution of its ice-cream products through its sister company at the same site, Vitarich Ice Cream Co., and eventually integrate with Arctic Ice Cream Novelties on Rainer Avenue South in Seattle.

Daryl Vander Pol, Vitamilk's chief financial officer, said the company decided to cease operations because its customer base is shrinking.

"It's come to a point where our efficiency was at a point where we could no longer continue," he said.

Residents offered mixed reactions.

Said Ref Lindmark, vice president of the Green Lake Community Council: "It's something they've been waiting for for years," he said of neighbors concerned about noise and traffic. However, he said he remembers the company being generous to Green Lake Elementary School.

"I really appreciated that."

Mark Holmes, 29, lives near the plant at 427 N.E. 72nd St. and says he's sad to see it go.

"It's terrible. The small businesses can't be successful and the big businesses take over," he said.

Another neighbor, Bill Leah, 31, said people who complain about the noise should think about what could replace the plant — like a residential property that would bring parking problems.

"They've been a member of the community longer than those who have been complaining," said Leah, who lives across the street from the plant.

Employees expressed sadness, Vander Pol said. But for the most part, they have been supportive.

"It's like going through the loss of a good friend," he said.

Vander Pol said the consolidation of grocers in the United States has shrunk the number of independent grocery stores, Vitamilk's primary market, making it near-impossible for smaller milk producers to remain open.

Two of Vitamilk's main clients were bought out by larger chains: Quality Food Centers (QFC) was purchased by Fred Meyer and eventually Kroger, while Alaska-based Carr's Quality Centers was acquired by Safeway.

The company produced 10 million gallons of milk in 2002, compared to 20 million in 1997, he said.

Vitamilk was founded by Edwin Teel, who began delivering milk in college. After he graduated from Seattle Pacific College, now Seattle Pacific University, he opened a small milk-processing plant on a Seattle farm and moved it to the Green Lake area at the beginning of World War II.

In the 1970s, the company was then passed on to Teel's son, Jerry Teel, company president, and son-in-law Vander Pol.

Edwin Teel died in 1997 at 85.

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