

FMMO Hearing Statement

My name is Michael Anthony, and I am the Executive Director of Manufacturing divisions for Unified Grocers. I have been at Unified for 11 years in various senior leadership roles while maintaining responsibility within the Dairy division each of those years. I have current responsibility for all Plant Operations and Sales divisions within Manufacturing, and report in to the EVP of Perishables/Fresh Foods within the corporate structure. In addition, I serve on 3 California boards, Dairy Institute, California Milk Processors, and Dairy Council.

Unified Grocers is a Member-owned Cooperative of Independent grocery chains and stores throughout the Western United States. The Dairy Processing Plant is one of two manufacturing facilities owned by the company, with the other being a Bakery Plant. The dairy Plant is the only one for the company, located in Southern California, with all other Dairy programs being partnerships with other Dairies. We are a unique business model for a dairy in that Unified's predominant business is Grocery, Frozen, Deli, and Perishables wholesale services to our members, and Dairy is a subsidiary type business available as a service convenience to the members. They are not obligated to purchase Dairy from the company.

Our Dairy is relatively small in size (acreage) and scope (volume), and is focused predominantly on fluid milk and drinks. We are an inner-city Los Angeles based business, and employ a number of personnel from within the Southern California neighborhoods we serve. Unified is mainly Private-Label based milk producer, and we rely on the growth and success of our member accounts to keep our volume and business going. They rely on the continual supply of milk in order to fulfill the needs of their consumers, largely Hispanic-based, with 7 days a week of service.

We have a solid working relationship with our supplier of raw milk, and a good supply under the current California state order with rare disruptions in service. This is important to us, since we are located in Southern California, and have limited options to obtain other raw milk supply. Our concern, being smaller-sized and geographically constrained, would be maintaining that adequate supply of milk and doing so at the competitively priced model.

We are in an extremely competitive environment in Southern California. With consumption levels declining each year and constant pressures from our retailers to be lower priced, the impact of paying a higher federal price would equate to potential lost business for us in our independent segment. Loss of volume will continue to drive our fixed and variable costs up which creates an inability for us to pay our members patronage dividends. Any additional incentives needed to be paid out due to mandatory pooling or additional transportation concerns (due to our geography) would have been passed on to our retail members who are not accepting to costs that don't impact them. This would ultimately force the company to make an economic decision about the future of our Dairy. Our members have the ability to seek out other dairies, and buy their milk from them, if they choose.

At Unified, we have worked diligently over this past year to take a number of costs out of our system in order to remain competitive for our members. An additional layered cost into our structure creates that competitive disadvantage that will make it difficult for us to continue operations without getting out of milk production entirely.