

# Leaders Attend Land O' Lakes Dairy Regional Fall Meeting

**MICHELLE RANCK**  
Lancaster Farming Staff

**CARLISLE** (Cumberland Co.) — Two of the top dairy leaders in the country were in Carlisle for the Land O'Lakes fall regional meeting on Tuesday.

More than 200 producers attended the meeting that included a director's report, management report, and operations report besides separate region governance meetings. Land O' Lakes is an organization owned by cooperatives and dairy producers throughout the nation, including nearly 3,000 members in the Mid-Atlantic region.

During the meeting, Land O'Lakes President and Chief Executive Officer Jack Gherty gave a management report and reported on a progressive and financially strong year. Also presenting during the meeting were Jack Prince, executive vice president and chief operating officer of the dairy foods division; Gordon Hoover, secretary of the Land O'Lakes corporate board and Lancaster County dairy producer; and Bill Schrieber, vice president of Eastern operations.

Hoover gave the board of directors report. "As legislative issues become more and more important, it becomes more important to take extremely active roles in the legislative process," he said.

He cited Land O'Lake's Political Action Program (PAC) as an example of the organization's involvement in legislation. Legislative success included, with passage of the appropriations bill, an extension of the Dairy Price Support program, \$600 million in market loss payments to dairy farmers, \$7.1 billion in assistance to wheat, feed, grain and seed producers, plus the establishment of permanent normal trade relations (PNTR) with China.

Upcoming issues, said Hoover, included 2002 Farm Bill discussions to have policy in place and develop unity among agricultural programs.

The September board meeting is primarily for long-range planning, said Hoover. "We are extremely committed in this environment of change and volatility to compete and win. We have a committed board and cooperative on behalf of our members," he said.

In Gherty's management report, he outlined several reasons the dairy industry is facing difficult times.

A slumping, volatile market, intense competition, ongoing integration consolidation, and accelerating change are obstacles facing the industry, said Gherty.

Even in this environment, said Gherty, Land O' Lakes continues to pursue its mission of optimizing members' dairy, crop, and livestock production. For the first three quarters of 2000, sales were up three percent from a year ago to \$4.4 billion, according to Gherty. The organization made major acquisitions of agronomy facilities, saw \$68.7 million in earning in the dairy foods division, invested capital, saw equities go up and long-term debt go down.

The organization also formed AgriAlliance, which brings together five organizations to create a cooperative. Land O' Lakes also established a Farmland Feed organization, putting together two competing Midwestern co-ops to reduce cost of production for each. This year Land O' Lakes expanded the layer business, which in turn should help increase the feed business, said Gherty. The organization's seed

business is now the fourth largest seed company in the nation.

Also this year the organization's infrastructure was upgraded, as the Carlisle facility's capacity was doubled. Land O' Lakes purchased Madison Dairy, a major private label butter producer, in the past year. In addition, progress has been made on the joint venture of a cheese and whey plant in the West.

To expand into the e-commerce outlet, Dairy.com is also in the works for the organization as a tool for both producers and processors.

New technology and biotechnology will bring food safety to the forefront of dairy issues, according to Gherty.

"Integration of the food supply chain is blurring the line between production agriculture and processing. Chains are being built," said Gherty.

Land O' Lakes must grow to compete effectively, said Gherty.

Resources are finite, and growth must be consistent with proactive management of the portfolio, or, more simply, the organization must continue to become more focused. One example of becoming focused is selling businesses, even good businesses, to invest in others. Another critical aspect to the growth and effectiveness of the organization is generating industry-competitive financial results. "Land O' Lakes must perform as a business," said Gherty.

Also, exceptional people are essential to build the right culture, environment, and teamwork for the organization. Land O' Lakes is more than a farm-supply or dairy coop, said Gherty, and that strength can be leveraged to create competitive advantage.

Also in Gherty's report, he paid a special tribute to Bob Dever, vice president of public affairs, who, after 31 years with Land O' Lakes, is moving from full time to a consulting position for the company. The operations report was given by executive vice president and chief operating officer for the Dairy Foods Group Jack Prince.

"Volumes are up, and we are having a record year in butter sales," Prince said. "Although soft pricing has affected our dollars sales, Dairy Foods earnings through September are \$18.1 million on the value-added side and \$4.7 million on the industrial side. That's in addition to the one-time net gain of \$45.9 million on repositioning our Dairy Foods assets, including the sale of the Fluid Dairy Division and the revaluing of assets related to the Alpine Lace cheese business."

Key accomplishments in 2000, said Prince, include a two-fold in butter volume production and earnings up \$8.6 million. The Madison Dairy acquisition increased the volume for the company by 20 percent.

Also in 2000, Land O' Lakes launched the "Ultra Creamy" product line. The foodservice sector had a record year, with volume up seven percent, plus the additions of new products including sauces. "The value-added side of the business positions the business to compete long-term," said Prince.

The deli sector had earnings of \$2.9 million. Alpine Lace, which falls under the deli category, is being repositioned, according to Prince. Known as a low-fat product, Alpine Lace unfortunately was not known for its great taste. Land O' Lakes, therefore, hopes to reformat the recipe to make the recipe low fat but not nonfat,



The Land O' Lakes fall meeting in Carlisle included the attendance of top leadership of the organization. From left, Bill Schrieber, vice president of eastern operations; Jack Prince, executive vice president, chief operating officer dairy foods, industrial group; Jack Gherty, president and CEO; and Gordon Hoover, secretary of the corporate board of directors.

so the company can tout the line as a "healthy product that tastes good, not just a low-fat product," said Prince. The fluid dairy sector was sold to Dean Foods, which allows Land O' Lakes to become more focused, said Prince.

Challenges facing the organization are dealing with change and competing with bigger competitors, said Prince. Land O' Lakes must become national-marketing oriented, invest in people and new technology, drive their business through consumer insight, and continue with product innovation, consolidate in key areas, and streamline the supply chain.

On the industrial side, Prince said the organization will focus on being world-class. Land O' Lakes is already spread nationally and has top facilities, important steps toward becoming a world-class operation, according to Prince.

Key accomplishments include financial turnarounds and an expansion of Producer Risk Management Program. Especially important, said Prince, is the restructuring taking place in the upper Midwest, where Land O' Lakes is evaluating partnerships, ventures, and alliances. In three years, predicts Prince, the structure in the upper Midwestern area will look completely different compared to the structure today. "We don't discount any opportunity to restructure the Midwest," said Prince.

Challenges facing Land O' Lakes include the slow pace of change in the company's system, increased energy and insurance costs, and product losses, such as the large volume of product lost with an antibiotic contamination in a plant.

Capital investment, integral to the operation, is still a necessary part of the operation but also a challenge. "If we want to be the first choice for producers, we have to make those investments," he said.

Besides investments, Land O' Lakes must also look at consolidation. "Either you're a consolidator or you're going to have to be one of those that leaves the business."

In the question-and-answer session, Prince covered the organization's strategies for the future, which include continued restructuring in the Upper Midwest.

"We're not here to see what fancy buildings we can make, or what we can do against the competition. We're here to maximize the value of the dairy member's products," said Gherty.

Dever addressed the issue of the future of the dairy industry on the East Coast. According to Dever, the sheer volume of people residing in the East make a ready market. Coupled with the population growth in the South, Eastern dairy producers should have a promising future. Pennsylvania, said Dever, is ideally located to reach the supply-deficit markets.

Prince noted that two-thirds of the dairy market is located east of the Mississippi. "You have the knowledge and technology. It's a matter of deciding for yourself if you can compete with other dairymen, to ask yourself if you are as good as other dairymen."

To answer questions addressing cheese, Prince said that

eight billion pounds of cheese are made annually, with a need to build new facilities because of increase cheese demand.

The supply of mozzarella cheese, said Prince, is not keeping up with the current demand, as evidenced in the addition of other cheeses in the shredded cheese bags available at grocery stores. Mozzarella cheese, he noted, provides the best return for dairy producers, an incentive to make sure that demand is filled.

State Dairy Princess Melinda Wolfe, 19, gave a "behind-the-scenes" speech about dairying as she outlined the hard work and dedication to the industry that she has seen in her father.

Wolfe is an elementary education major at Bloomsburg University.

The meeting also included separate region governance meetings to elect corporate boards and address policies and resolutions.

During the afternoon session Bill Schrieber, vice president of Eastern operations, spoke about the Carlisle butter plant and Mid-Atlantic operations.

## Apply For Distinguished Young Holstein Breeder Award

STATE COLLEGE (Centre Co.) — The Pennsylvania Holstein Association announces that it is seeking applications for the Distinguished Young Holstein Breeder Award. The contest is open to any Pennsylvania and National Holstein Association member between the ages of 21-40 (as of Dec. 31, 2000) who owns or has management responsibilities for a herd of cows. The herd must be on official DHIA test.

The award is to recognize accomplishments of young Holstein breeders and to encourage them to establish goals that will aid in their management decisions to help achieve a profitable dairy operation.

The winning entry from Pennsylvania will receive a comple-

mentary room at the 2001 State Convention and Convention Banquet tickets. They will also have their entry sent on for national competition.

Applications for the Distinguished Young Holstein Breeder Award, are available by contacting the Pennsylvania Holstein Association, 839 Benner Pike, State College, PA 16801. Phone: (814) 234-0364. Fax: (814) 234-1698.

Entry deadline is Jan. 15, 2001.

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