

Dairy Producer Dean Foods to Cut Jobs

Dairy Producer Dean Foods to Cut 600 to 700 Jobs Amid High Milk Prices
(Associated Press)

DALLAS -- Dean Foods Co., the nation's largest dairy producer, said Tuesday that record high milk prices are cutting into profits, and the company plans to cut 600 to 700 jobs.

The company lowered its profit expectations for the third quarter and all of 2007. Dean expects to take a restructuring charge in the third quarter for the job cuts, but it didn't provide a dollar figure.

For the third quarter, the company now expects profit after one-time gains and charges to be 15 cents per share, down from 24 to 28 cents per share. Dean cut its full-2007 earnings forecast to \$1.25 per share from \$1.52 to \$1.58 per share.

Chairman and Chief Executive Gregg Engles said high dairy commodity costs have created the most difficult challenges the company has ever faced, "and 2007 results have been well short of our expectations."

Dean officials had expected growth in the milk supply to force dairy prices lower, but they now believe prices will remain high the rest of the year. They partly blamed strong demand for nonfat dry milk powder in other countries.

Jack Callahan, the company's chief financial officer, said U.S. consumers had reacted to high prices by shifting from brand names to private-label products. He said prices are likely to ease next year.

Callahan also said sales of Dean's WhiteWave Foods division were being hurt by an oversupply of organic milk that is likely to continue at least through the first half of next year.

Company officials said they would immediately begin a "voluntary" program of cutting jobs, followed by an involuntary reduction if needed. They said the reductions would be complete by the end of October.

Dean, based in Dallas, sells dairy goods under more than 50 local and regional brands and many private labels.

Shares of Dean rose 1 cent to \$26.30 in midday trading. Since April, the shares have fallen from a 52-week high of \$50.50.