

Dairy Farmers of America reports profit jump on lower costs

(Lenexa Drovers, KS)

By Bruce Blythe

Dairy Farmers of America, Inc., the largest U.S. dairy cooperative, said profit rose 6.3 percent in 2009 as reduced costs and the sale of a business offset slumping milk prices.

Net income rose to \$65.6 million from \$61.7 million in 2008, the Kansas City, Mo.-based cooperative said in a statement today. Sales fell 31 percent to \$8.1 billion from \$11.7 billion.

Dairy Farmers of America benefited from cost savings in several areas, including marketing, plant upgrades and a "milk route optimization plan," the cooperative said. In May, the cooperative sold its stake in National Dairy Holdings LLC to Mexico-based Grupo Lala for \$435 million, using proceeds to pay debt.

The cooperative "worked diligently to strengthen our financial foundation and find new ways to bring value," Rick Smith, Dairy Farmers of America's chief executive officer, said in today's statement.

"We will continue working to help increase profit margins, improve milk quality and production, and bring members value," Smith said.

Like others in the industry, Dairy Farmers of America's sales plunged in 2009 as overproduction and a weak economy triggered a milk price crash. In February 2009, milk futures in Chicago sank as low as \$9.26 per hundred pounds, the lowest in almost a decade.

In trading today, Class III milk futures for April delivery ended at \$12.35 per hundredweight. Futures are down about 13 percent this year.

Dairy Farmers of America marketed 62.9 billion pounds of raw milk in 2009, accounting for about 74 percent of its consolidated net sales, the cooperative said.

The cooperative also said it paid \$25.3 million in "patronage" to members in 2009 in and made special cash payments totaling \$18.3 million.