

Foster Farms bids \$20.5 million for creamery; hopes to keep Humboldt Creamery brand

Foster Farms Dairy president says he wants to expand brand and organic products

Copyright *Ferndale Enterprise*; originally published 7/9/09

With the announcement earlier this week that Foster Farms Dairy has signed a purchase agreement for Humboldt Creamery's Fernbridge and Stockton facilities, many are wondering, what will happen to the Humboldt Creamery brand?

"Our intent is to use the Humboldt Creamery brand and take it as far as we can," Foster Dairy Farms President Jeff Foster told *The Enterprise* Monday afternoon. Foster added that his company, if it is not outbid at an August 11 auction, wants to "continue to build on the great Humboldt label.

"One thing we'll try to do is to continue developing products that utilize the entire pool of milk up there," said Foster, the grandson of the founders of Foster Farms Dairy, which has been operating in California since 1939. "We have the capabilities down in Modesto

to make (organic) butter products and organic cream not produced in Humboldt."

The offer by the Modesto based company, if approved by the US bankruptcy court, will become the "stalking horse bid" at an anticipated August 11 auction of Humboldt Creamery, LLC. Acting CEO of Humboldt Creamery Len Mayer confirmed to *The Enterprise* Monday that the purchase price is approximately \$20.5 million. Foster would not confirm the figure. According to court documents, Foster Farms has made a deposit of \$1 million.

The creamery owes the banks more than \$55 million and owes approximately \$30 million to unsecured creditors.

The purchase agreement will now be presented to the court. If Foster Farms isn't outbid come August 11, the court will be asked to approve the sale.

Foster said he has visited the plant several times and

met with a few producers. If his company's offer is accepted, Foster said there is "great potential.

"Anytime there's a bankruptcy, there's always an opportunity for a bargain," he said. "If we are fortunate to be the winning bidder, we look forward to coming up to Humboldt and working with the community and producers to continue to build on the great Humboldt label and put out the great products of Humboldt Creamery."

Of the 5,000 cows Foster Farms Dairy milks at its five dairies located throughout Stanislaus County, none of the cows are pasture based, said Foster. With new National Organic Program pasture regulations coming into effect in 2010, it appears that Humboldt Creamery cows grazing in lush pastures could be a huge positive for the company.

As for the approximately 145 employees at the Fernbridge plant and six in Stockton,

Foster wouldn't commit to any plans involving hiring or firing.

"Our plan is to continue to operate the plant," he said. "That's our intent. We'll further assess what's going on there."

Meanwhile, creamery employees did receive 60-day layoff notices at two meetings held Monday to inform employees about the purchase agreement. The layoff notices were done to comply with the state's Worker Adjustment and Retraining Notification Act, known as WARN. The act is invoked during potential mass layoffs.

"We obviously told them the good news that we have a good, quality, bona fide stalking horse bidder," Meyer explained. "Once employment with the LLC ends, Foster will step in and hire them."

Mayer said while he cannot speak for Foster Farms, he said the company "intends to run the business, more or less like it is run now.

"They like the

brand, the strength of the brand, the milk shed, the story behind the producers," said Mayer. "They intend to hire these folks and run the business, obviously profitably."

Mayer, however, said he is fairly certain that he will be out of a job as will other top executives.

"They certainly don't need two CEO's," said Mayer who before becoming chief operations officer at Humboldt Creamery about two years ago, headed up the North Coast Cooperative. Mayer said he plans on staying in the area, noting his wife's family has been in Humboldt County for four generations and that he's been "lucky enough to find rewarding and challenging jobs" in the county since 1986.

None of those jobs, however, have been quite the ride that Mayer has experienced since February 20 when the creamery CEO left town. And, even though Mayer knows he probably will be collecting

unemployment fairly soon, he says he feels "great" about the job he has done since that fateful day in February.

"There was a business that had a mountain of debt and was way, way, way under water," Mayer recalled. "Not only did the creamery owe the bank more than it could pay, but several other entities significant amounts of money. Looking at it from that standpoint, it was precarious at best and could have 'augered' in. At this point, if we can just keep it going and get to auction, whether Foster or another entity outbids it, in either case, it's going to be a pretty good result for the community."

If the bankruptcy court auction is August 11, Mayer anticipates requesting that the sale be authorized to the highest bidder at a hearing on August 12. The creamery expects the sale process to be complete on August 25.