

## **Hood plans to merge with Dallas dairy farm**

Kaneb family will get controlling interest in combined company

**By Bruce Mohl, Globe Staff, 11/13/2002**

H.P. Hood, New England's largest independent dairy, said yesterday that it plans to merge with the much larger National Dairy Holdings of Dallas to become one of the largest milk processors in the country.

Hood spokeswoman Lynne Bohan said the merger should be completed by the end of the year and the Kaneb family, which owns Chelsea-based Hood, would end up with a controlling interest in the merged entity.

The combined company would be the second-largest dairy processor in the country with annual sales in the neighborhood of \$3 billion. Dean Foods of Dallas is the nation's largest dairy, with estimated sales of nearly \$10 billion.

Bohan declined to provide any additional information, including what the name of the merged company will be. A spokesman for National Dairy Holdings deferred to Hood officials.

The merger comes at a time when the dairy industry in New England and across the country is rapidly consolidating. Agricultural economists in New England have expressed concern that the market concentration is leading to unusually high milk prices on supermarket shelves, even as the prices farmers receive for their milk have been falling fast.

If John A. Kaneb and his family pull off the merger, it would vault the influential local businessman onto the national stage and give Hood the chance to compete more aggressively against Dean Foods in New England and around the nation.

Kaneb, who comes from the oil business, bought the moribund Hood milk operation in 1995 and managed to breathe new life into it. The company has introduced many products, including a premium ice cream and an opaque milk container designed to block out potentially damaging light rays.

But Hood always faced an uphill battle competing against Dean, formerly known as Suiza Foods, which gobbled up dairies like Garelick Farms of Franklin, West Lynn Creamery, Cumberland Farms, and Nature's Best Dairy in the late 1990s. Suiza acquired Dean of Franklin, Ill., but decided to retain the Dean name and maintain its headquarters in Dallas.

In June last year, the six New England attorneys general announced an antitrust settlement with Dean that they said would limit the company's increasing dominance in the region. The settlement required Dean to make 30 million gallons of its milk-processing capacity available to area competitors over the next five years.

At the time of the settlement, Connecticut Attorney General Richard Blumenthal said: "We found essentially that Suiza had a potential stranglehold on the market so as to undercut, if not cripple, competition."

By merging with National Dairy Holdings, Hood is hoping to become a bigger player on the national stage. Hood operates dairy processing plants throughout New England and one in Virginia. Industry officials estimate it has annual sales of around \$500 million.

National Dairy Holdings operates 33 dairy manufacturing plants across the country, with heavy concentrations in the South and Midwest. Dairy Markets magazine estimated National Dairy's sales at \$2.4 billion in September.

National Dairy was founded in 2001 as a partnership between three dairy industry executives and the Dairy Farmers of America Inc., a large dairy farm cooperative based in Kansas City, Mo. The three executives are C.O. "Tex" Beshears, Allen Meyer, and Tracy Noll.

The company immediately went on a buying spree, paying roughly \$400 million to the Dutch firm Royal Wessanen NV to acquire Crowley Foods of Binghamton, N.Y., and Marigold Foods of Minneapolis. Marigold markets products primarily under the Kemps brand name, while Crowley sells products under the Crowley, Green's, and Heluva Good names.

Many industry officials thought Hood also had its eye on Royal Wessanen's milk holdings last year. The commissioner of the Massachusetts Food and Agriculture Department at the time said he thought Hood would be the winning bidder.

Earlier this year, National Dairy purchased 11 dairies in eight states, including Velda Farms in Lakeland, Fla., from Dean Foods. Dean Foods was required to divest the 11 dairies to satisfy antitrust concerns raised by its merger with Suiza.

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