



First District Association Focuses on The Future With Major Expansion, Celebrates 90th Anniversary

Upon Completion, Expansion Will Take Cooperative To 7 Million Lbs.

Litchfield, MN—Members of First District Association have good reason to celebrate its 90th anniversary. The company is in the middle of a major expansion to their facilities, and the products they produce are setting a record in sales.

First District Association (FDA) is a member-owned dairy cooperative with over 620 direct members and nine member creameries with 430 patrons.

The expansion of the FDA facilities over the next few years will ultimately take the cooperative to 7 million pounds of milk a day, giving the cooperative one of the largest single plants in the United States.

The cooperative is modernizing cheese production processes; adding cheese cooling storage; and adding an evaporator for whey protein concentrate, permeate and delactose permeate.

"We're kind of doing this in phases, depending on how much milk we can attract," Dan Hallberg chairman of the FDA board said. "The first phase is going to add 30 percent more production. Right now we've got 3.9 million pounds of milk going through. We'll be running up to 5 million pounds by end of this phase."

Clint Fall, president of FDA, said the company's inability to process more milk is the reason for the expansion.

"They've always been able to tweak the plant to get a little more milk through. We finally hit the wall and so the next step is to just about double the milk throughput. You just can't do a little at a time."

Dan Hallberg,
First District Association

"We're expanding our production capacity partially due to our inability to process more volume from new producers who would like to become members," Fall said.

Hallberg said FDA has always found ways to process more milk until recently.

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step is to just about double the milk throughput. You just can't do a little at a time."

This expansion has been discussed for over seven years and sets the cooperative's course to where Fall believes it should be.

"I view FDA's future from the standpoint that we need to create our future verses our future creating us," Fall said. "If FDA is planning to be around long-term, the cooperative must continue to re-invest in its facilities, improved processes, improved process control, maximize efficiencies, security, quality, etc."

Right now FDA has 5 million pounds of milk a day, but the cooperative is selling excess milk to other cheese plants and they also bottle 192 million pounds of milk yearly for the Grade A market, which Hallberg said they would like to continue.

"We want to maintain the bottle presence to remain in the pool. That is why we want to have some producers close to the cities."

Minnesota's milk production was on the decline for about 20 years starting in the mid-1980s, dropping from 10.8 billion pounds in 1985 to 8.1 billion pounds by 2004. Milk cow numbers declined by some 450,000 head during that period.

But the state's milk production has increased for six straight years, and topped 9.1 billion pounds last year, the highest level since 2000. And milk cow numbers are up more than 20,000 head from five years ago.

Fall is encouraged by those trends and has found FDA members willing to expand.

"We have experienced modest growth in milk production over the past several years," Fall said. "This past year we have seen an unfortunate decline. The industry must promote itself. We are optimistic FDA patrons will continue growing into the new production capacity over a period of time and most importantly, maintain a facility that meets and hopefully exceeds our customers' expectations."

Hallberg says he's seeing larger dairies entering the state and believes the association can attract patrons.

"We're seeing some new dairies. We see some west of Willmar that are going to grow big. This area has a good, growing milk supply."

First District's patron base milks about on the average 100 cows, Hallberg said. He thinks that's probably about the state average.

"Our largest patron has 2,000 cows. Our board is quite diverse in cow size. Our smallest board member milks about 40 cows while the largest

milks 800 cows," Hallberg said.

FDA has patrons on the Minnesota/Iowa border, over to the South Dakota border into western Wisconsin and north about 130 miles in Minnesota.

Fall sees continued volatility ahead but thinks the foundation has been set for expansion.

"I am optimistic about the Upper Midwest dairy industry due to quality feed availability, water, land, and climate, and proximity to highly valued customers," he said. "It is important that the industry preserve and build upon the strong infrastructure in an effort to remain viable long-term."

Cheese Operations

Fall said the FDA cheese plant produced 143 million pounds of cheese in 2010.



To increase that production 20-30 percent, FDA built a new 8,810 square foot vat area and added two new Tetra Pak CPS 85,000 pound cheese vats. The new vat area will house 10 vats total and will have the capacity to process 7 millions pounds of milk per day.

While the operation will be adding another 40 pound block tower, the plant crumbles the blocks into 500 pound barrels.

FDA's products include stirred curd Cheddar, Monterey Jack, colored Cheddar and Swiss curd for manufacturing.

Nearly half of the products go into cheese slices, with other products going into cheese powder, shredding, drying snack foods like crackers, cheese sauces, spreadable cheese and into Swiss and Monterey Jack.

First District's clients include just about every fast-food chain you can think of, as well as many of the national casual dining chains, and national grocery chains.

"We're producing over 400,000

pounds of cheese every day so our cheese goes everywhere," Fall said. "There's hardly anybody we don't market our products to."

Fall said as long as we meet our customers' requirements for product quality and consistency he doesn't see too many challenges to sales.

"We're blessed with good customers and companies that want to grow with First District. We continue to sell our products without a lot of challenges and hopefully it will continue to go that way."

Fall says he sees changes to FDA customers' buying habits.

"Our experience has been that customers are desiring fewer high quality suppliers that they can partner with. Quality, process control, facility structure and design are becoming increasingly more critical."

Fall said FDA is perfectly suited to fit the demands of their customers.

Whey Plant Operations

First District was one of the first plants in the US to process and market whey products.

Today, the company continues to produce whey cream, lactose, delactose permeate and whey protein concentrate totalling about 49 million pounds of powder in 2010.

"We produce approximately 1.9 million pounds of WPC 35 and 2.5 million pounds of lactose each month," Fall said.

The powder comes in 1500 to 2500 pound tote bags.

As part of the expansion plans, FDA will add a new or expanded RO system, a new or expanded UF system, separators, "and a new Caloris evaporator", Fall said.

Nearly 70 percent of FDA's powder sales are here in the United States. However, sales to Japan and China are over 25 percent of what is

FDA Celebrates

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produced. The company also exports to Canada, Austria, and Colombia.

Over 35 percent of the cooperative's lactose is exported and 23 percent of FDA's WPC also reaches the foreign market.

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—Clint Fall,

First District Association

“We have a lot of interest in our lactose and WPC protein products and it is pretty much going all over the world. Exports are very strong for us. We don't see any problem with future sales opportunities with whey ingredients,” Fall said.

Plant Three And Future Expansions
Plant three was commissioned in July 2010, with all aspects designed to accommodate future growth capabilities up to 7 million pounds of milk per day. All of the infrastructure is in place to accommodate the future expansion.

Finally, the cooperative added over 42,000 square feet to their cooler that can now hold up to 7.5 million pounds of cheese.

Progressive Board and Staying Profitable

Over the years, Hallberg said the cooperative has been under some excellent management and a progressive board.

“I think it all started about 30-40 years ago when Ron Leaf was our manager (Leaf was president of FDA from 1970 - 1993),” Hallberg said. “He changed us from a butter powder plant to a cheese plant in 1974. He also brought in the whey processing facilities.”

Hallberg said the pride that the board has taken in past accomplishments has kept the cooperative evolving into the future.

“First District has had the unique ability to stay ahead of technology and yet stay debt free just using the equity to grow the business,” Hallberg said. “We probably aren't going to stay debt free with this latest expansion, but if you're going to borrow money, now is the time.”

History of FDA

First District Association's history traces back to March 31, 1921, when the Cooperative Creameries Association, Unit No. 1, was formally

organized. Its objectives were to: standardize the quality and sale of Minnesota cooperative creamery butter; organize the cooperative purchase of creamery supplies; and promote the best interests of the association.

The first 11 creameries to join Unit #1 were: Litchfield, Lake Stella, Dassel, Darwin, Kingston, Forest City, Grove City, Crow River, Danielson, Cosmos and Star Lake.

Recognizing the need for a state organization, the creameries requested incorporation of the Minnesota Cooperative Creamery Association as a state organization.

Cream and butter were also being graded so that products with higher grades commanded a premium price and better provides for the members of the cooperative.

John Brandt proposed organizing the creameries into districts instead of having each creamery be a separate member. Because they were already a unit, the members voted not to join a state association except as a unit. They wanted to ensure that their own organization, which had taken so much work to get started, would remain intact.

The association acquired its first district on August 12, 1921, when the 19 creameries of Unit No. 1 voted unanimously to join the state association. This kept Unit No. 1 intact, and on the association's records, Unit No. 1 became District 1.

In 1928, the name of the county organization was changed to Lake O'Lakes Creameries Inc., District One (Land O'Lakes was chosen several years earlier as the name of the butter marketed by the MCCA).

Finally, in order to maintain an independent identity, the name of Unit No. 1 was changed again in 1934 to its current name, First District Association. **r**

Dignitaries, Patrons And Over 1,500 Others Tour First District At Open House



First District Association 90th Anniversary celebration organizers were expecting about 1,500 people to tour the newly expanded building of the cooperative, however that number was easily surpassed. In the photo above Clint Fall, president and CEO of First District Association welcomes Chuck Cruickshank, of the Midwest Dairy Association, Dean Urdahl, MN House of Representatives, Bruce Vogel, MN House of Representatives, Paul Anderson, MN House of Representatives, and Dave Frederickson, commissioner of the MN Department of Agriculture

Litchfield, MN—Easily surpassing the expected crowd of 1,500 member-owners, First District Association (FDA) offered a rare look at its expanded facilities here last week as part of its 90th anniversary celebration.

Chuck Cruickshank of Midwest Dairy Association helps in the marketing of FDA's products.

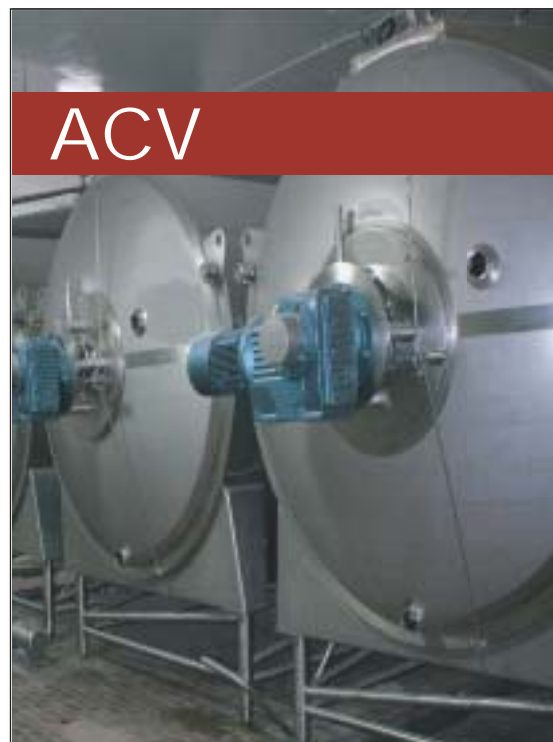
“I've worked for dairy farmers for 35 years in different capacities, I've always been proud to be associated to be working with dairy farmers, this facility serves as an example to their hard work and dedication to create nature's perfect food,” Cruickshank said.

Dave Frederickson, commissioner of the Minnesota Department of Agriculture, said he was

encouraged by the expanding dairies around Minnesota and was impressed by FDA's growth.

“When you think of the pioneers maintaining a cooperative through lots of years of struggle, lots of people wanting to split it up. Keeping farmers at a table is like keeping frogs in a wheelbarrow sometimes, so they have done an incredible job keeping it all together. Their growth over the 90 years and looking forward to hopefully another 90 years, this is something really to be proud of.” Frederickson said.

Clint Fall, president of FDA thanked everyone for attending the open house and paid special tribute to the members of FDA and the quality milk that made the celebration and expansion possible.



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