

—Big hog at the trough:

# Relooking Gregg Engle\$' 2007 Salary/Compensation

by Pete Hardin

Last month, *The Milkweed* had some fun with the \$66,080,000 salary/compensation paid in 2007 by Dean Foods to its CEO, Gregg Engle\$. That amount placed Gregg Engle\$ way atop the list of food industry executives' compensation in 2007. In fact, Engle\$' take was nearly five times as much as the next-highest food industry executive's pay/benefits package.

Funny thing: Engle\$' sky-high compensation last year occurred during a very tough year, profit-wise, for "his" firm.

This publication has received much comment about reporting Gregg Engle\$ salary – none attempting to defend Engle\$' loot. So let's take a deeper look at Gregg Engle\$' 2007 salary, and put it in a context of overall corporate performance by Dean Foods, and other parameters.

First of all, it's important to remember that 2007 was a very strange year, financially, for Dean Foods. Profits were scarce due to sky-high costs for milk and cream. Strangely, in early 2007, Dean Foods borrowed \$1.94 BILLION to pay out a \$15/share, one-time bonus to stockholders. Engle\$ pocketed \$39.6 million from that \$15/share payout. (No doubt he championed the idea.) But borrowing \$1.94 billion for such a use that yields no advantage to the company, is highly questionable.

## 1) Engle\$' \$66.08 million salary represented \$1 of every \$170 of Dean Foods' gross sales revenue in 2007.

According to its 2007 annual report, Dean Foods' gross sales totaled \$11.8 billion dollars. CEO Engle\$' compensation equaled roughly \$1 for every \$170 dollars of gross revenue to the company. That's excessive for a CEO during *any* year, let alone a low-profit year.

## 2) Engle\$' \$66.08 million salary was 50.3% of Dean Foods' 2007 profits.

In 2007, Dean Foods net profits were \$131.4 million. Thus, Gregg Engle\$ salary/compensation equaled just more than half of the annual profits of the nation's largest fluid milk processing firm. Dean Foods looks like Gregg Engle\$' personal money machine.

## 3) Engle\$' \$39.6 million stock bonus equaled 2% of the \$1.94 BILLION borrowed by Dean Foods to pay out the \$15/share, one-time stockholder bonus.

Do the math: Dean Foods borrowed \$1.94 billion to pay the \$15/share stockholder bonus. Engle\$ got \$39.6 million of that amount, or two percent of the total. Wonder if Gregg supported that board action!

## 4) Engle\$' salary/compensation in 2007 equaled roughly \$8,500 per dairy farmer supplying Dean Foods' raw milk needs.

Let's estimate that there are 60,000 U.S. dairy farmers, that fluid milk sales equal one-third of total U.S. milk output, and that Dean Foods has a 40% market share of fluid milk sales in the U.S. By those parameters, Gregg Engle\$' 2007 salary at Dean Foods came to roughly \$8,500 for each dairy farmer supplying that firm's raw milk (for fluid purposes).

### Ill-gotten gains!

Across the nation, Dean Foods regularly engages in predatory activities against society, from farm to consumer:

\* School milk fraud. In the Southeast, Dean Foods operates a scam, being paid a "rebate" on Class I milk expenses by its supplier (90 days after the month in question). But many school milk contracts in that region cover all raw milk costs, including federal milk order fees and regional "superpool" charges. That after-the-fact rebate on raw milk costs paid to Dean Foods by superpools in two Southeast federal milk orders constitutes school milk contract fraud, plain and simple.

\* What happens when competing school milk suppliers "disappear" (probably through antics related to Dean Foods)? In one west Texas school district a couple years ago, when the competing school milk bidder disappeared from the scene, sources tell *The Milkweed* that Dean Foods raised its bid for school milk by about ten cents per half-pint carton from one school year to the next! How much "milk money" stolen from school kids did Gregg Engle\$ put in his pocket in 2007?

\* In the Northeast, Dean Foods' organic milk subsidiary regularly refused to pay full amounts of invoices from organic raw milk suppliers, invoking its own discounts. (Dean Foods' organic business is so big that it calls the shots.)

\* Dean Foods operates its own "organic" factory farms, ostensibly violating USDA rules for pasture-access associated with organic standards. The happy cows – amid a sea of green grass – depicted graphically on cartons of Dean Foods' "Horizon" brand of organic fluid milk are a fiction. Organic consumers merit the nutritional benefits from cows that honestly get requisite access to pasture.

\* In Michigan, Dean Foods controls 90% of all fluid milk sales. White House political connections have given Dean Foods this unique opportunity to virtually eliminate competition in Michigan (and many other states/regions of the U.S.) Roughly one-third of Dean Foods' such ill-gotten gains ended up in Engle\$' pocket in 2007 at the expense of farmers and consumers.

\* Dean Foods shafts milk haulers in many ways. For every dime that Dean Foods swiped from milk haulers in 2007, 3.3 cents ended up in Engle\$' pockets.

## Failed Bush administration antitrust policies benefit Dean Foods

During the George W. Bush administration, Dean Foods could literally do no wrong.

\* From June 2004 through August 2006, the U.S. Department of Justice, in tandem with roughly 18 states' Attorneys General offices, launched a dairy antitrust investigation which concluded, in late August 2006, with recommended indictments against Dean Foods and its partner-in-crime, Dairy Farmers of America. White House political influence prevented those indictments.

\* In May 2004, Dean Foods bought Melody Farms, a Detroit-area fluid milk processor. The Melody Farms acquisition gave Dean Foods a 90% market share of fluid milk distribution in Michigan. BUT ... prior to the acquisition, DOJ antitrust officials circulated a questionnaire among (the few) competing fluid milk processors in Michigan, asking for their comments on the proposed purchase of Melody Farms by DAIRY FARMERS OF AMERICA. DOJ's competitive impact survey of the industry didn't even have the right buyer for Melody Farms!

### White House & Dean Foods: Inside game

Dean Foods can do no wrong, because the Texas-based, "big money boys" bankrolling the company literally "made" George W. Bush's personal financial fortune. Back in the early 1990s, Bush was a minor partner among investors who sold the Texas Rangers baseball team to billionaire financier Tom Hicks (and others). Bush had invested a few hundred thousand (mostly borrowed) dollars in the baseball. But following the closing, Bush's partners paid him a special bonus of \$12-14 million for all the good work he'd done.

What did George W. Bush accomplish for that \$12-14 million bonus???

Very simply, Bush engineered the following political process: He oversaw the condemnation of private land through "eminent domain" and used taxpayer funds to acquire the land. Taxpayers then paid to build a fancy, new baseball stadium. THEN, Bush engineered the transfer of this publicly-build facility to private hands. Some folks never change.

Small wonder that Dean Foods enjoys immunity from federal antitrust laws as the company pillages the dairy industry – from farm to consumer – and, at least in 2007, dumped \$66,080,000 in Gregg Engle\$ yuppie pockets.