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Dean Foods Company Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Your first question comes from Terry Bivens – J.P. Morgan.

Terry Bivens – J.P. Morgan

A couple of questions, Gregg, on the earnings. You were mentioning about your [40]. Does that include the cautionary items you listed, the plant start up, the pensions, etc.?

Gregg L. Engles

Yes, it includes all of that.

Terry Bivens – J.P. Morgan

What base is that off of? Are you able to give us any better guidance on what the fourth quarter is going to look like given we're in November?

Gregg L. Engles

You know, we've given the guidance of at least \$1.20. Let me go back to our guidance for Q3 on the last call. We gave you a fairly wide range for the quarter, a \$0.05 range for the quarter and we did so because the impact of these non-milk commodities on our P&L is significant and those commodity values have been quite volatile. So as Jack mentioned in his prepared remarks, just the energy complex and the hydrocarbon complex from Q2 to Q3 increased by over \$13 million of input costs on lower volumes, because we have lower volumes in Q3 than we do in Q2.

So given the volatility in our non-milk commodities, we're a little hesitant to make a firm or really tight prediction around what our earnings ought to be in the fourth quarter. What I can say is that so far so good in terms of the direction of all of those commodities and the pace of change. Those commodity inputs should be significantly accretive to our earnings in Q4.

But it's hard to call where they're going to be at this point in time and I don't know about you, but at least here at Dean Foods, we're pretty chastened by the amount of volatility in the commodity environment and the market's inability to predict where it's going to go. So at this point in time you can back into an at least number from our \$1.20 per share guidance. And we believe that the trends in both volumes and our input costs going into Q4 are as we said in our prepared remarks favorable.

Terry Bivens – J.P. Morgan

The I guess implicit \$15 million investment that you're going to make in this JV. That comes on top of I believe you said some spending this year?

Gregg L. Engles

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