HORIZON ORGANIC HOLDING CORP
Form 10-Q
November 12, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2003

Commission File No. 000-24337

Horizon Organic Holding Corporation

(a Delaware Corporation)

I.R.S. Employer Identification Number 84-1405007
6311 Horizon Lane
Longmont, Colorado 80503
(303) 530-2711

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ý No o

As of October 31, 2003, the registrant had outstanding 10,367,165 shares of its common stock, $.001 par value per share.

HORIZON ORGANIC HOLDING CORPORATION

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

HORIZON ORGANIC HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share amounts)

As of September 30, 2003 (unaudited) and December 31, 2002

	2003	2002
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,352	1,382
Trade accounts receivable, less allowances of $2,591 in 2003 and $2,260 in 2002	22,257	19,978
Inventories	17,882	12,124
Assets held for sale	29,456	29,911
Deferred income tax assets	277	277
Prepaid and other current assets	4,362	5,124
Total current assets	76,586	68,796
Long-term assets held for sale	1,830	1,851
Property, Equipment and Cattle:		
Cattle, net	1,341	1,211
Property and equipment, net	13,763	13,578
Total property, equipment and cattle	15,104	14,789

		2003	2002
Other Assets:			
Goodwill, net of accumulated amortization of $3,054		28,103	27,040
Other intangible assets, net of accumulated amortization of $6,141 in 2003 and $5,136 in 2002		12,061	13,046
Other assets, net		2,256	2,685
Total other assets		42,420	42,771
Total Assets	$	135,940	128,207
Liabilities and Stockholders' Equity			
Current Liabilities:			
Current portion of long-term debt	$	29,641	26,703
Trade accounts payable		13,814	10,100
Other accrued expenses		10,912	8,743
Total current liabilities		54,367	45,546
Long-Term Liabilities:			
Long-term debt, less current portion		10,205	14,110
Deferred income tax liabilities		2,923	2,898
Total long-term liabilities		13,128	17,008
Total liabilities		67,495	62,554
Stockholders' Equity:			
Preferred stock, $.001 par value, authorized 5,000,000 shares; no shares issued or outstanding			
Common stock, $.001 par value; authorized 30,000,000 shares; 10,365,790 and 10,293,127 shares issued and outstanding in 2003 and 2002, respectively		10	10
Additional paid-in capital		62,381	61,866
Accumulated other comprehensive income foreign currency translation adjustment		3,368	2,034
Retained earnings		2,686	1,743
Total stockholders' equity		68,445	65,653
Total Liabilities and Stockholders' Equity	$	135,940	128,207

See accompanying notes to the unaudited consolidated financial statements.

HORIZON ORGANIC HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

(In thousands, except per share amounts)

For the three months ended September 30, 2003 and 2002
(unaudited)

	2003	2002
Net sales	$ 56,042	47,631
Cost of sales	38,520	32,681
Gross profit	17,522	14,950
Operating expenses:		
Selling	12,411	10,762
General and administrative	3,550	2,490
Intangible asset amortization	329	328
Total operating expenses	16,290	13,580
Operating income	1,232	1,370
Other income (expense), net:		
Interest income	37	11
Interest expense		(99)
Other, net	(37)	(96)
Total other expense, net		(184)
Income from continuing operations before income taxes	1,232	1,186
Income tax expense	(480)	(463)
Income from continuing operations	752	723
Discontinued operations (Note 5):		
Loss from operations of discontinued Idaho Dairy and Colorado herd (including loss on disposal of $750 in 2003 and $855 in 2002)	(293)	(654)
Income tax benefit from discontinued operations	114	255
Loss from discontinued operations	(179)	(399)
Net income	$ 573	324
Income from continuing operations per basic and diluted share	$ .07	.07
Loss from discontinued operations per basic and diluted share	$ (.02)	(.04)
Net income per basic and diluted share	$ .05	.03
Weighted average shares outstanding:		
Basic	10,365	10,221
Diluted	11,009	10,556
Comprehensive income:		
Net income	$ 573	324
Foreign currency translation adjustment	360	594
Comprehensive income	$ 933	918

	2003	2002

See accompanying notes to the unaudited consolidated financial statements.

HORIZON ORGANIC HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

(In thousands, except per share amounts)

For the nine months ended September 30, 2003 and 2002
(unaudited)

	2003	2002
Net sales	$ 161,840	134,561
Cost of sales	110,716	91,694
Gross profit	51,124	42,867
Operating expenses:		
Selling	35,712	30,093
General and administrative	10,632	7,669
Intangible asset amortization	987	979
Total operating expenses	47,331	38,741
Operating income	3,793	4,126
Other income (expense), net:		
Interest income	87	33
Interest expense		(328)
Other, net	(140)	(200)
Total other expense, net	(53)	(495)
Income from continuing operations before income taxes	3,740	3,631
Income tax expense	(1,459)	(1,416)
Income from continuing operations	2,281	2,215
Discontinued operations (Note 5):		
Loss from operations of discontinued Idaho Dairy and Colorado herd (including loss on disposal of $2,317 in 2003 and $3,883 in 2002)	(2,194)	(4,256)
Income tax benefit from discontinued operations	856	1,044
Loss from discontinued operations	(1,338)	(3,212)
Net income (loss)	$ 943	(997)
Income from continuing operations per basic share	$ .22	.22

	2003	2002
Income from continuing operations per diluted share	$ .21	.21
Loss from discontinued operations per basic share	$ (.13)	(.32)
Loss from discontinued operations per diluted share	$ (.12)	(.30)
Net income (loss) per basic share	$ .09	(.10)
Net income (loss) per diluted share	$ .09	(.09)
Weighted average shares outstanding:		
Basic	10,333	10,181
Diluted	10,767	10,574
Comprehensive income:		
Net income (loss)	$ 943	(997)
Foreign currency translation adjustment	1,334	2,305
Comprehensive income	$ 2,277	1,308

See accompanying notes to the unaudited consolidated financial statements.

HORIZON ORGANIC HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

For the nine months ended September 30, 2003 and 2002
(unaudited)

	2003	2002
Cash flows from operating activities:		
Net income (loss)	$ 943	(997)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss (gain) from discontinued operations, net of income taxes	(76)	227
Loss from anticipated sale of Idaho Dairy and Colorado herd, net of income taxes	1,414	2,985
Depreciation and amortization	3,145	2,828
Loss on sale of cattle and equipment	251	119
Deferred income taxes		41
Noncash payments for director services	20	30
Changes in operating assets and liabilities:		
Trade accounts receivable	(2,099)	1,156
Inventories	(5,725)	553
Prepaid and other current assets	861	(1,529)
Other assets	20	14
Trade accounts payable	3,598	1,646
Other accrued expenses	2,048	818

	2003	2002
Net cash provided by operating activities	4,400	7,891
Cash flows from investing activities:		
Net cash used in discontinued operations	(863)	(1,168)
Purchases of property and equipment	(1,837)	(972)
Proceeds from equipment sales	34	178
Purchases of cattle	(618)	(611)
Proceeds from cattle sales	175	200
Other assets	76	(123)
Net cash used in investing activities	(3,033)	(2,496)
Cash flows from financing activities:		
Proceeds from (repayments of) long-term line of credit	4,950	(1,865)
Repayments of long-term debt, other than line of credit	(5,927)	(5,311)
Proceeds from exercise of stock options	429	715
Proceeds from issuance of common stock under ESPP	65	58
Net cash used in financing activities	(483)	(6,403)
Effect of exchange rate changes on cash	86	163
Net increase (decrease) in cash and cash equivalents	970	(845)
Cash and cash equivalents at beginning of period	1,382	3,534
Cash and cash equivalents at end of period	$ 2,352	2,689
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest, including $1,282 and $1,302 included in/allocated to discontinued operations for the nine months ended September 30, 2003 and 2002, respectively	$ 1,275	1,657
Cash paid during the period for income taxes	$ 362	909
Noncash investing and financing activities:		
Common stock issued to outside directors	$ 20	30

See accompanying notes to the unaudited consolidated financial statements.

HORIZON ORGANIC HOLDING CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared by Horizon Organic Holding Corporation (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally accompanying financial statements prepared in accordance with accounting principles generally accepted in the United States of

America have been condensed or omitted pursuant to such SEC rules and regulations. In management's opinion, all adjustments necessary for a fair presentation of the results of operations for the periods presented have been made and are of a normal and recurring nature. Operating results for the three and nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003.

These consolidated financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. Certain reclassifications have been made to the 2002 financial statements to conform to the 2003 presentation.

2. Critical Accounting Policies

The critical accounting policies effective during the nine months ended September 30, 2003 were consistent with the critical accounting policies reported in the Company's Form 10-K for the year ended December 31, 2002.

3. Stock Option Plan and Stock Option Agreements

The Company applies the principles in APB Opinion No. 25 in accounting for its Plan and stock option agreements and, accordingly, no compensation cost has been recognized for stock options granted to employees in the accompanying consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income (loss) would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Net income (loss), as reported	$ 573	324	943	(997)
Stock option compensation, pro forma	390	258	1,475	1,185
Net income (loss), pro forma	183	66	(532)	(2,182)
Net income (loss) per basic share, as reported	.05	.03	.09	(.10)
Net income (loss) per diluted share, as reported	.05	.03	.09	(.09)
Net income (loss) per basic and diluted share, pro forma	.02	.01	(.05)	(.21)

The per share weighted-average fair value of stock options granted during the three and nine months ended September 30, 2003 was $13.51 and $8.24, respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: three months ended September 30, 2003 no expected dividend yield, expected volatility of 64%, risk free rates ranging from 2.9% to 4.0%, and expected lives of 5 years and nine months ended September 30, 2003 no expected dividend yield, expected volatility of 64%, risk free rates ranging from 2.7% to 4.0%, and expected lives of 5 years.

The above pro forma disclosures are not necessarily representative of the effect on the reported net income for future periods because options vest over several years and additional awards are generally made each year.

4. Translation of Foreign Currencies

The accounts of the Company's subsidiaries in the United Kingdom were measured using the local currency, which has been designated as the functional currency. Assets and liabilities were translated at the exchange rate in effect at the end of the period. Revenue and expenses were translated at the average exchange rate for the period. Translation adjustments arising from the use of differing exchange rates from period to period were included in comprehensive income in stockholders' equity.

5. Discontinued Operations

On March 31, 2002, the Company determined that its Idaho Dairy and Colorado herd met the definition of a disposal group under Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, or SFAS 144. The Company has a plan in place to sell the assets of the Idaho Dairy. The remaining Colorado herd was transferred to the Idaho Dairy by September 30, 2002 in connection with the September 30, 2002 termination of the Dairy Herd Management and Supply Agreement with Aurora Dairy Corporation for the Colorado herd. The Company is currently marketing the Idaho Dairy, including the transferred Colorado herd, to several prospective qualified buyers. The proposed sale would likely include a long-term supply agreement with the buyer for organic fluid milk at the expected market price. The Company cannot accurately predict the timing of a closing at this time. Additionally, there can be no assurance that the Company will enter into a definitive agreement with the current or other prospective buyers.

The terms of the anticipated Idaho Dairy sale agreement contemplate a sale price based on net book value, which assumes that depreciation of the cattle and fixed assets would continue from the time the terms were agreed to until the sale closes. Consequently, the resulting price of the Idaho Dairy continues to decrease over time. However, pursuant to SFAS 144, the Company ceased depreciating the related assets as of the measurement date, which was March 31, 2002. Therefore, the net book value of the assets held for sale does not decrease from an increase in accumulated depreciation since the measurement date; but it does decrease to reflect the decline in value that occurs from the passage of time since the measurement date. Because of the resulting differences between the anticipated net book value and the anticipated selling price due to depreciation, the Company recognized an additional loss on disposal of discontinued operations consistent with an additional three months of depreciation of $0.8 million for the three months ended September 30, 2003 and with an additional nine months of depreciation of $2.3 million for the nine months ended September 30, 2003. If the Company is unable to finalize the transaction by December 31, 2003, an additional loss on disposal will be recognized by the Company equaling the amount of depreciation that would be expected up to the anticipated date of finalizing the transaction. The Company believes that the contemplated sales price approximates fair value.

The financial results from these operations for the current and prior periods are reported as discontinued operations consistent with a disposal group. Included in the loss from discontinued operations, before income taxes and including closing and transaction fees and the decrease in anticipated sale price due to depreciation, for the three and nine months ended September 30, 2003 and September 30, 2002 was an estimated loss on disposal of the Idaho Dairy of $0.8 million, $2.3 million, $0.8 million and $3.5 million, respectively, in addition to an actual loss on disposal of the Colorado herd of $0.1 million and $0.4 million for the three and nine months ended September 30, 2002, respectively. The following unaudited financial data presents the combined results of operations for the discontinued operations for the three and nine months ended September 30, 2003 and 2002 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	**2002**	**2003**	**2002**
Sales	$ 5,124	5,462	14,972	16,356
Cost of sales excluding cattle depreciation	2,997	3,339	9,376	10,092
Cattle depreciation				494
Gross profit	2,127	2,123	5,596	5,770
Operating expenses excluding fixed asset depreciation	1,239	1,500	4,177	4,609
Fixed asset depreciation				248
Loss on disposal	750	855	2,317	3,883
Operating income (loss)	138	(232)	(898)	(2,970)
Interest expense, net	431	422	1,296	1,286
Loss before income taxes	(293)	(654)	(2,194)	(4,256)
Income tax benefit	114	255	856	1,044
Net loss	$ (179)	(399)	(1,338)	(3,212)

The following unaudited pro forma financial data presents the results of operations for the discontinued operations for the three and nine months ended September 30, 2003 and 2002, if the Company had concluded that its Idaho Dairy operation had not met the definition of a disposal group under SFAS 144 and if the Company had not determined to sell its Idaho Dairy:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Sales	$ 5,124	5,462	14,972	16,356
Cost of sales excluding cattle depreciation	2,997	3,339	9,376	10,092
Cattle depreciation	491	489	1,477	1,496
Gross profit	1,636	1,634	4,119	4,768
Operating expenses excluding fixed asset depreciation	1,239	1,500	4,177	4,609
Fixed asset depreciation	258	266	757	778
Loss on disposal		217		217
Operating income (loss)	139	(349)	(815)	(836)
Interest expense, net	431	422	1,296	1,286
Loss before income taxes	(292)	(771)	(2,111)	(2,122)
Income tax benefit	114	301	823	828
Net loss	$ (178)	(470)	(1,288)	(1,294)

Differences between the financial results from these operations and the unaudited pro forma financial data presented above for the three months ended September 30, 2003 include $491,000 and $258,000 in depreciation charges for cattle and fixed assets, respectively, that are included in loss on disposal in the financial results that are instead shown as depreciation in their respective categories in the 2003 unaudited pro forma financial data. The financial results include an additional $1,000 loss on disposal for potential write downs to expected net realizable value. The differences between the financial results and the unaudited pro forma financial data for the three months ended September 30, 2002 include $489,000 and $266,000 in depreciation charges for cattle and fixed assets, respectively, that are included in loss on disposal in the financial results that are instead shown as depreciation in their respective categories in the 2002 unaudited pro forma financial data. The unaudited pro forma financial data also includes an additional $117,000 loss on disposal for the actual loss on the Colorado herd as well as the resulting additional income tax benefit of $46,000. These amounts were included in the financial results for the three months ended March 31, 2002 which included the measurement date and, accordingly, are not included in the financial results for the three months ended September 30, 2002.

Differences between the financial results from these operations and the unaudited pro forma financial data presented above for the nine months ended September 30, 2003 include $1.5 million and $757,000 in depreciation charges for cattle and fixed assets, respectively, that are included in loss on disposal in the financial results that are instead shown as depreciation in their respective categories in the 2003 unaudited pro forma financial data. The financial results include an additional $83,000 loss on disposal for potential write downs to expected net realizable value as well as the resulting additional income tax benefit of $33,000. The differences between the financial results and the unaudited pro forma financial data for the nine months ended September 30, 2002 include $1.0 million and $530,000 in depreciation charges for cattle and fixed assets, respectively, that are included in loss on disposal in the financial results that are instead shown as depreciation in their respective categories in the 2002 unaudited pro forma financial data. Also, the financial results include an additional $2.1 million loss on disposal consisting of transaction costs and write downs to expected net realizable value, including charges equal to normal depreciation through December 31, 2002 which was the expected transaction close date at September 30, 2002. These costs are not in the unaudited pro forma financial data because these costs would not have been incurred if the Company had not determined to sell the Idaho Dairy. As a result, the financial results include an additional income tax benefit of $216,000, which is not included in the unaudited pro forma financial data.

Additionally, $29.5 million of the Idaho Dairy assets expected to be disposed of, including the transferred Colorado herd, have been classified as current assets held for sale at September 30, 2003. This compares to $29.9 million at December 31, 2002, which is a $0.4 million decrease primarily due to feed inventory seasonality. Pursuant to SFAS 144, the Company wrote the assets down to the expected disposal value, less costs to sell. The Company expects to use a substantial portion of the proceeds from the sale of assets held for sale to repay outstanding debt. As a result, the Company has allocated interest to its discontinued operations on its approximate net equity invested in the discontinued operations at a historical interest rate of 7.0%, which is above the prevailing interest rate approximating 4.0%.

6. Long-term Debt

The Company has a $25.0 million Senior Secured Term Loan with US Bank National Association with a due date of May 31, 2005 and quarterly principal payments. The note bears interest at LIBOR plus a varying margin spread of 1.65% to 3.75%. At September 30, 2003, the interest rate was 3.6% and the outstanding principal balance of this note was $14.8 million. Interest payments are made in conjunction with LIBOR pricing maturity dates.

The Company has a $25.0 million credit line facility with US Bank which has been extended for six months and, therefore, has a due date of November 30, 2003. The Company has requested and expects that it will be granted an additional extension from US Bank which will ensure the availability of the facility through the anticipated close date of the proposed merger with Dean Foods Company. The credit line is collateral-based and bears interest primarily at LIBOR plus a varying margin spread of 1.65% to 3.75%. At September 30, 2003, the interest rate was 3.6% and the Company had borrowed $21.2 million against the credit line facility in addition to letter of credit encumbrances of $0.1 million. Of this $21.2 million outstanding line of credit balance, $19.5 million was at an interest rate of 3.6% and $1.7 million was at an adjustable interest rate of prime plus 0.75%, or 4.8%. We may borrow additional amounts under the revolving line of credit, subject to the terms of the credit agreement, until the facility's maturity date. Total availability under the line of credit pursuant to the borrowing base as defined was $3.7 million at September 30, 2003. This loan and the Senior Secured Term Loan with US Bank are secured by substantially all of the assets of the Company and contain certain covenants that, among other things, limit the Company's ability to incur additional debt, create liens, pay dividends or enter into certain other transactions, and which require the Company to meet certain financial covenants. The Company is in compliance with these financial covenants.

7. Reportable Segments

The Company has three segments of business, the marketing company, the dairy farm operations and international. The marketing company is responsible for acquiring, processing and marketing organic fluid milk, organic dairy products and organic non-dairy products. The dairy farm operations are responsible for producing farm milk for use by the marketing company in the production of its products. International is the United Kingdom entities responsible for acquiring, processing and marketing organic fluid milk and organic dairy products. The following table sets forth selected segment data for the three and nine months ended September 30, 2003 and 2002 (in thousands):

	For the three months ended September 30, 2003								
	Marketing	Dairy farm operations	U.S. eliminations	U.S. adjustments	U.S. subtotal	International	U.S. and International subtotal	International eliminations with U.S.	Total
Net sales	$ 46,417	654	(654)		46,417	9,625	56,042		56,042
Cost of sales	31,000	413	(413)	81	31,081	7,439	38,520		38,520
Gross profit	15,417	241	(241)	(81)	15,336	2,186	17,522		17,522
Operating expenses excluding intangible asset amortization	14,093	322	(322)		14,093	1,868	15,961		15,961
Intangible asset amortization	294				294	35	329		329
Operating income (loss)	1,030	(81)	81	(81)	949	283	1,232		1,232
Interest income	475		(78)	(362)	33	4	37		37
Interest expense	(22)	(88)	78	362	331	(331)			
Other, net	(37)				(37)		(37)		(37)
Income (loss) from continuing operations before income taxes	1,446	(169)	81	(81)	1,276	(44)	1,232		1,232
Income tax benefit (expense)	(563)	66			(497)	17	(480)		(480)
Income (loss) from continuing operations	883	(103)	81	(81)	779	(27)	752		752
Discontinued operations*:									
Loss from operations of discontinued Idaho Dairy (including loss on disposal of $750)		(293)			(293)		(293)		(293)
Income tax benefit from discontinued operations		114			114		114		114
		(179)			(179)		(179)		(179)

For the three months ended September 30, 2003

Loss from discontinued operations									
Net income (loss)	$ 883	(282)	81	(81)	600	(27)	573		573

The following additional supplemental information is included above:

Continuing Operations:									
Depreciation and amortization	$ 776	127			903	138	1,041		1,041
Loss on sale of cattle and equipment		64			64	0	64		64
Discontinued Operations:									
Depreciation and amortization	$								
Loss on sale of cattle and equipment including loss on sale of the Idaho Dairy		1,244			1,244		1,244		1,244
Company Total:									
Depreciation and amortization	$ 776	127			903	138	1,041		1,041
Loss on sale of cattle and equipment including loss on sale of the Idaho Dairy		1,308			1,308	0	1,308		1,308

* Revenue and operating expenses (including loss on sale of the Idaho Dairy) associated with the discontinued dairy farm operations were $5,124 and $4,986, respectively.

For the nine months ended September 30, 2003

	Marketing	Dairy farm operations	U.S. eliminations	U.S. adjustments	U.S. subtotal	International	U.S. and International subtotal	International eliminations with U.S.	Total
Net sales	$ 133,194	2,061	(2,061)		133,194	28,646	161,840		161,840
Cost of sales	88,513	1,204	(1,204)	115	88,628	22,088	110,716		110,716
Gross profit	44,681	857	(857)	(115)	44,566	6,558	51,124		51,124
Operating expenses excluding intangible asset amortization	40,901	972	(972)		40,901	5,443	46,344		46,344
Intangible asset amortization	882				882	105	987		987
Operating income (loss)	2,898	(115)	115	(115)	2,783	1,010	3,793		3,793
Interest income	1,418		(226)	(1,116)	76	11	87		87
Interest expense	(90)	(256)	226	1,116	995	(995)			
Other, net	(140)				(140)		(140)		(140)
Income (loss) from continuing operations before income taxes	4,085	(371)	115	(115)	3,714	26	3,740		3,740
Income tax benefit (expense)	(1,593)	144			(1,449)	(10)	(1,459)		(1,459)
Income (loss) from continuing operations	2,492	(227)	115	(115)	2,265	16	2,281		2,281
Discontinued operations*:									
		(2,194)			(2,194)		(2,194)		(2,194)

For the nine months ended September 30, 2003

Loss from operations of discontinued Idaho Dairy (including loss on disposal of $2,317)									
Income tax benefit from discontinued operations		856			856		856		856
Loss from discontinued operations		(1,338)			(1,338)		(1,338)		(1,338)
Net income (loss)	$ 2,492	(1,565)	115	(115)	927	16	943		943
Segment assets	$ 121,936	41,935	(39,208)		124,663	44,375	169,038	(33,099)	135,940
The following additional supplemental information is included above:									
Continuing Operations:									
Depreciation and amortization	$ 2,395	366			2,761	384	3,145		3,145
Loss on sale of cattle and equipment		148			148	103	251		251
Discontinued Operations:									
Depreciation and amortization	$								
Loss on sale of cattle and equipment including loss on sale of the Idaho Dairy		3,811			3,811		3,811		3,811
Company Total:									
Depreciation and amortization	$ 2,395	366			2,761	384	3,145		3,145
Loss on sale of cattle and equipment including loss on sale of the Idaho Dairy		3,959			3,959	103	4,062		4,062

*

Revenue and operating expenses (including loss on sale of the Idaho Dairy) associated with the discontinued dairy farm operations were $14,972 and $15,870, respectively.

For the three months ended September 30, 2002

	Marketing	Dairy farm operations	U.S. eliminations	U.S. adjustments	U.S. subtotal	International	U.S. and International subtotal	International eliminations with U.S.	Total
Net sales	$ 39,295	623	(623)		39,295	8,336	47,631		47,631
Cost of sales	26,254	391	(391)	24	26,278	6,403	32,681		32,681
Gross profit	13,041	232	(232)	(24)	13,017	1,933	14,950		14,950
Operating expenses excluding intangible asset amortization	11,663	256	(256)		11,663	1,589	13,252		13,252
Intangible asset amortization	294				294	34	328		328
Operating income (loss)	1,084	(24)	24	(24)	1,060	310	1,370		1,370
Interest income	430		(70)	(349)	11		11		11
Interest expense	(101)	(82)	70	349	236	(335)	(99)		(99)
Other, net	(72)				(72)	(24)	(96)		(96)

For the three months ended September 30, 2002

Income (loss) from continuing operations before income taxes	1,341	(106)	24	(24)	1,235	(49)	1,186		1,186
Income tax benefit (expense)	(523)	41			(482)	19	(463)		(463)
Income (loss) from continuing operations	818	(65)	24	(24)	753	(30)	723		723
Discontinued operations*:									
Loss from operations of discontinued Idaho Dairy and Colorado herd (including loss on disposal of $855)		(654)			(654)		(654)		(654)
Income tax benefit from discontinued operations		255			255		255		255
Loss from discontinued operations		(399)			(399)		(399)		(399)
Net income (loss)	$ 818	(464)	24	(24)	354	(30)	324		324

The following additional supplemental information is included above:

Continuing Operations:									
Depreciation and amortization	$ 737	117			854	84	938		938
Loss on sale of cattle and equipment	(1)	45			44		44		44

Discontinued Operations: