

Financial article summary



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Financial Analysis Summary Financial Article Summary Brief Corporate Profile

Dean Foods is acknowledged as one of the leading food and beverage companies in the United States known for their dairy products. Its rich historical background has been traced in 1925 to Samuel E. Dean, Sr. (Dean Foods: History, 2008) and has successfully weathered diverse corporate challenges and prospects for growth. Through the incorporation of corporate responsibility within their organizational thrusts, Dean Foods have surpassed the effects of global recession and envision to “ continue to improve (our) business practices and remain focused on becoming a best-in-class food and beverage company. With every step in (our) journey, a strong sense of corporate responsibility remains an integral part of (our) efforts” (Dean Foods: Corporate Responsibility, 2008, par. 1).

Risk Factors A review of the organization’s operations, systems, policies and processes, provided the following risk factors, to wit: perishable nature of the products, the direct store delivery (DSD) system (maintenance costs, security in delivery and time element), prices of raw materials (subject to external factors and fluctuation), the mature growth phase of the industry (manifesting slow growth potentials), stiff competition in terms of market share and prices, current economic situation influenced by the financial crisis and law raw costs of milk contribute to pricing competition and margin compression, among others. There is also a dependence on major key retailers, the loss of any large customer (like Wal-Mart) would significantly affect the financial condition, competitive bidding trend affects sales and profits negatively, substantial debt affects stock prices and investment opportunities, costs of employee benefits in the light of current financial crisis could affect profitability position in the long run, continued recession would affect

consumer purchase behavior, product recalls affect corporate image, labor disputes and legal proceedings create negative effects, compliance to environmental laws increases costs of compliance. SWOT Through the discussion of the risk factors, one is made aware that there are strengths that could be capitalized by the organization such as the brand awareness and recognition, the national DSD system and the perceived high quality and service accorded to customers. On the other hand, there are eminent weaknesses in terms of the need to pay for shelf space to customers or retailers, the seasonality of the products, slowing of growth in the organic milk category, need to comply with environmental and regulatory requirements for food and use of extremely hazardous chemicals in some organizational plants. Despite these, there have been opportunities to focus on soy and organic food products due to increased consumer demand and growth potentials related to increased consumer confidence in the health benefits of soy and organic foods. Further, strategic acquisitions could provide opportunities to leverage the collective strengths of our combined businesses across a global soy beverages and related products category.

Investment Opportunity With opportunities in the organic food and soy products, Dean Foods has been focusing on making investments in terms of strategic acquisitions and joint ventures with other food organizations. As indicated these investments funded by borrowings under the senior revolving credit facility are intended to serve as strategic growth potentials to further expand global reach by leveraging established innovation, technology, manufacturing and distribution capabilities over time.

References Dean Foods. (2008). Brief History. Retrieved 23 March 2011.

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