



**Speech by Joseph W. Van Treeck, President & CEO
Matanuska Maid Dairy shareholder annual Meeting & 70th
birthday celebration**

ANCHORAGE, Alaska June 27, 2006 – Introduction

Matanuska Maid, the oldest and most successful dairy products manufacturer in Alaska, celebrates this year 70 years of continuous operations.

Founded in 1936 as an owner cooperative, Matanuska Maid¹s manufacturing arm was separated from the producer side when the co-op declared bankruptcy in 1983. The company¹s assets were purchased by the State of Alaska in order to keep Alaska¹s agriculture industry viable.

By 1988, the company had recovered from that bankruptcy and has since continued to make investments in plant and product innovations. Our market share continues to be above 40% against larger competitor brands simply because of our commitment to quality.

In order to sustain corporate health and pursue new markets for Alaska brands and, with its financial obligation to the State more than fulfilled - Matanuska Maid is poised for privatization. With new investment capital Matanuska Maid will continue to thrive, innovate, and help keep alive the dream held by the Colonists 70 years ago for independence and for sustainable agriculture.

1. What did we do to stay busy last year?

Matanuska Maid employees work hard every day. Most consumers do not consider what is behind every Mat Maid package they purchase. To give you an idea of a "year in the life" of Mat Maid consider this: We processed and packaged over

37,000,000 million pounds of milk, dairy, and juice products; bottled almost 1 million gallons of water; maintained a 7 day per week quality-assurance laboratory; continued maintenance and repairs to a complex physical plant in Anchorage; manufactured 4.8 million plastic bottles; maintained our bottle manufacturing physical plant; conducted sales calls to a multiple corporate offices throughout the country; merchandised over 100 various sized products in more than 120 locations in the rail belt; maintained a 70 refrigerated vehicle fleet; delivering around 8 million individual units of product to retail and wholesale establishments throughout the rail belt; invoiced and collected \$15 million in receivables; and, made payroll to employees and paid for milk purchases from local milk producers 24 times...on time!

Highlights

- We converted to a new corporate logo on distribution vehicles.
- Began the complicated task of converting all dairy product packaging to new corporate logo. We are winding up that process this year.
- February 2005 - A major retail account raised MM pricing to unprecedented levels.
- February 2005 - WIC program instituted program changes that had negative effect MM sales.
- March 2005 - the ½ gallon filler, labeler, and case packer became operational
- May 2005 - rebuilt the bottling blow mold machine, put into service
- May 2005 - began production of ½ gallon plastic bottles.
- June 2005 - rolled out of side panel promotions on plastic bottles.
- Convinced a major retail outlet to roll back pricing on MM products to a more competitive level.
- July 2005 – the rebuilt culture-packing machine put into operation
- August 2005 - began packaging cultured products with tamperproof top seal.
- September 2005 - began the remodel of a cooler/freezer and installation of a new ammonia evaporation unit.

- September 2005 –Earned opportunity to become the only supplier of fresh milk to Elmendorf Commissary.
- October 2005 – rolled out the “nostalgia” Egg Nog carton and announced a sales promotion to support the Palmer Colony House – which resulted in about 8% growth in regular Egg Nog sales!
- November 2005 – Repair of cooling system to support blow mold operation completed.

Even with all of these efforts I must report that the Corporation had a decline in sales and, for the first time in eight years, operated at a loss in 2005.

There were four major reasons for this:

1. Competitive price pressure in the retail marketplace negatively impacted sales.
2. A dramatic run up in the cost of goods, primarily energy related, caused by Hurricane Katrina. Just one example, plastic resin used for bottle production has more than doubled in cost.
3. Insurance costs: Workers Compensation and health care coverage costs are increasing at phenomenal rates, taking a bigger a bigger bite of the pool of compensatory dollars.
4. The combination of increased costs and decreased sales resulted in the 2005 loss of \$179,590 on revenues of \$14,620,548.

These pressures have carried into 2006, so we have to remain vigilant and forward-focused as we regrow sales and profits.

Just a few of the issues that are looming ahead; Let me just stop here.... no matter the challenge over the past twenty years, we have taken each one on with success in mind. I look both to our employees and our board to help us tackle these issues:

- The price of our product on the shelf continues to collide with changing consumer trends. Just recently our research revealed that of all the purchase factors of a consumer, there has been a change from a long held sentiment of supporting Alaska brands, to that of preferring the lowest cost in the category. This mirrors trends that the Lower 48 has been experiencing for years.

- (We aim to) Bring to a successful conclusion our ongoing labor negotiations. Our goal is to hire and retain a qualified and competent workforce, provide a fair and competitive wage and to provide a safe and friendly workplace.
- The cost of compliance with federal mandates based on homeland security issues of September 11. Food handling operations like Matanuska Maid must comply.
- Identifying new capital to help purchase equipment, provide research and development investments and continuing to maintain 40+ year-old facilities.

Critical Success Factors:

1. We must maintain customer loyalty and trust:

- Almost 1 of every 2 shoppers said they purchase Mat Maid products.
- They love us; they really love us – with a consistent 85% approval rating.
- The reason for this is a dedication to producing quality products.
- One Major retailers have reported to us that Mat Maid cottage cheese outsells their own store brand!!
- Coldstone Creamery's Ray Karam, during his inspection tour said that nobody makes it better than Matanuska Maid.
- Maintain shelf presence in the face of increasing competition.

2. We have to keep up with changing market conditions:

- Develop new products and product diversification
- Remain competitive in the market place
- Develop new processes for the ever changing desires of our consumers
- Secure capital for growth and expansion

But what is the bigger plan for agriculture and the dairy industry?
These are some things to think about:

1. Who will help to sustain Alaska agriculture? Matanuska Maid has done its part but it also needs to be successful for industry to grow.
2. For more than **twenty-five years** Matanuska Maid has provided a market for local milk production and at a value significantly higher than our competition. We've paid the most to farmers, second only to Hawaii in price. We have helped farmers as much as possible without risking our business, because we also have to provide the consumer with a competitive product.

It is also important to note, and it's something I state with great pride: Since 1984, milk producers have been paid for our purchases on the appointed day and in the full amount due. The question must be raised again: **Without an overriding plan for agriculture, can this continue?**

3. The State's dividend for twenty years of ownership is the economic activity from dairy production and processing. How do we develop a business model for agriculture that is viable and that is based on private (versus state) investment for growth?
4. The public and the business community must come forward and express their interest in seeing agriculture flourish. They must also help us establish a culture that will support agricultural activities in Alaska and see new and profitable initiatives flourish.

Future Outlook:

- Remain competitive by seeking new markets and opportunities in order to increase sales.
- Be an advocate for a comprehensive long-range plan for Alaska's agriculture.
- Hire and retain competent and qualified work team
- Continue to provide a safe and enjoyable workplace
- We must focus on locating a new facility to modernize and grow
- New distribution channels outside of the State

In conclusion, I'd like to read to you directly from our annual report:

After more than 20 years under State control and ownership, Matanuska Maid now needs to return to the private sector. As you review our financial performance, it may become evident that the

company is not only positioned for this move, but it is necessary in order to access sufficient capital for future needs. Such financing would hasten the construction of a new processing and distribution facility at the outskirts of Anchorage, where food safety and security further enhance product quality. All of this will position us for growth and expansion in a burgeoning food and beverage marketplace.

During this transition, I will continue to do whatever I can to assure that our employees continue to have a safe and enjoyable workplace. To keep this kind of esprit de corps intact, it is critical for our mission that employees be supported with competitive wages and benefits, good training and the means to advance professionally. Enjoyment on the job is the best way to retain a quality work force. And it's a major ingredient in every product package that leaves our plant.

I cannot let the opportunity of this anniversary slip away without recognizing the contributions of our loyal customers and consumers. Matanuska Maid is deeply indebted to those who purchase our products and provide them ample space in their stores. Likewise, thanks to shoppers who continue to choose to support local production and processing with their purchases of Mat Maid products.

I also recognize and congratulate the employees and management for the dedication they have in meeting the Corporate goals and objectives.

Finally, as a company, we continue to pay tribute to the hard working families, the Colonists, who beat back adversity and tackled the challenges of agriculture in Alaska. We honor their legacy and it's our responsibility is to uphold it as we move to the future.

Thank you for being here today, we appreciate your loyalty to Matanuska Maid.