



Celebrating Our 70th Year!

Fresh to the Table: 1936 – 1976

Matanuska Maid, Alaska's largest dairy food and beverage processor, is also the world's most northern! What began in 1936, a story forged from individual hardships and financial crisis, is today a story of great vision and opportunity.

Still in the grips of the Great Depression, Congress authorized President Roosevelt and his Federal Emergency Relief Administration to undertake an expensive and daring social experiment. Drought-plagued farm families from northern Midwest states were moved to sparsely settled lands, including Alaska. In 1935 the Alaska Rural Rehabilitation Program, under the laws of the territory of Alaska, was established as part of this program. The 202 families participating in the program were each given 40 acres to clear and farm, some basic equipment, free seed and a long term, low interest \$3000 loan.

The introduction of more than 900 people to a new "colony" near the center of modern day Palmer more than doubled the Matanuska Valley population. The scattering of subsistence farms suddenly blossomed into a new industry. In 1936 the Matanuska Valley Farmer's Cooperative Association was formed, providing a surplus of vegetable crops and dairy products in and beyond the Valley.

Oversight of the Colony came from Washington D.C. until the Alaska Rural Rehabilitation Corporation took over some of the management. But even then, few administrators had much Alaska experience or training in organizing and running a cooperative agricultural colony. Alaskans were accustomed to their independence and chafed at any imposed authority, even if it came from the cooperative itself.

"Colonists complained that they were given no chance to express

individuality or to 'go on their own' but rather were herded ... as a group incapable of thinking," said the authors of Matanuska Valley Memoir (1955, University of Alaska Experiment Station). Government controls and the pioneer spirit made strange bed-fellows. But, adversity was unable to defeat the program."

Fresh, Local Milk Bottled in Anchorage

In its first year of milk production, 1936, the creamery reported sales of 6,458 pounds of butter and 26,928 eggs. By 1940, there was enough surplus milk to begin bottling it and selling in nearby Anchorage stores, and sales crept towards \$500,000. That year ice cream production began, and from the start, Alaskans showed great enthusiasm for it.

Three years later, Matanuska Maid's sales topped \$1 million. And despite very difficult political and legal squabbles between dairy producers and produce growers, the Cooperative earned modest profits in the ensuing years.

To meet increased demand for fresh bottled milk, the Cooperative purchased a facility in Anchorage that enabled Mat Maid to bottle and distribute milk from the former Eastside Dairy. This move also improved the payment to farmers and the overall production of milk. With the coming of another World War and construction of military bases, demand for dairy and fresh produce increased with the growth of armed forces in Alaska.

Milk was bottled at the Anchorage plant from 1945 through 1950. In 1951, the Palmer plant was remodeled to handle all dairy products, including reconstituted milk, recently contracted by the military. The Anchorage plant continued to be used as a distribution center.

Ice cream production in 1950 reached 7,000 gallons a month and sales topped \$2 million. Four years later, Mat Maid moved to a new distribution facility on Northern Lights Boulevard, then the outskirts of Anchorage. Another processing plant, built in Fairbanks in 1954 to provide reconstituted milk for the military, operated until closing in 1961.

The military, traditionally one of Mat Maid's best customers, sent shipments of dairy products to support US troops in Korea during that war in the late 1940s and early '50s. They switched from reconstituted to fresh milk in 1960. That move helped trigger a decision to enlarge the Northern Lights location by adding a 43,000 square foot modern dairy processing plant to its distribution warehouse. The project was delayed by the 1964 earthquake but completed in 1965, when the new creamery opened to fill the growing demand for Mat Maid's products.

By 1962, Mat Maid had survived its 25th year as a cooperative, and some of the Co-op's earlier businesses had changed or been suspended. What remained were a strong core dairy business and other farm infrastructure, like a grain elevator and feed mill in Palmer.

Dairy operations struggled, faced with the challenges of climate, compounded by Alaska's size – 2800 miles wide and 1000 miles long. More expensive than farming in the lower 48, dairy production can still be successful in Alaska, but it relies on five important factors being constant: efficient farm operations, high quality products, reliable distribution, cooperative retailers and a steady consumer base. Not often have all these elements been in sync. Mat Maid has direct control over two of them – high quality products and marketing to a loyal consumer base. To the degree that we win fans with our freshness and taste, we continue to find customers willing to make room for us on their shelves.

Loyalty for Locally Made: The 1980s

If the growth of Alaska's agriculture industry were charted on a graph, it would look more like the skyline of the Chugach Range than a steady incline. Nevertheless, the enthusiasm for locally made products has been steady from the beginning and has been a primary factor in Mat Maid's brand popularity.

Over the years, the number of farms in the Valley has fallen dramatically from as many as seventy in earlier decades to less than twenty in the late

'70s. As oil and gas royalty income outpaced Alaska's population growth, the state invested heavily in farming across Knik Arm at Point MacKenzie, offering inexpensive land, low interest loans, and grants available to increase agricultural output. Despite these lofty goals, it was expecting too much of farmers to turn wilderness into profitable, producing farms in three years.

The bruising debt load on farmers and the Cooperative became an impediment to financial health. At the same time, new dairy brands began flooding into Alaska, with retailers offering heavily discounted milk by the gallon.

In early 1983, general manager Jack Flint suffered a heart attack. Flint's absence started a chain reaction resulting in management's decision to declare bankruptcy.

Into the middle of this administrative and fiscal disaster stepped John Seawell and Joe Van Treeck. Governor Sheffield appointed Seawell, a savvy local businessman, as Mat Maid's general manager, to assess the situation and attempt to salvage the company. One of Seawell's first strategic decisions was to hire a new plant manager, Van Treeck, who had dairy science education and operational experience outside Alaska. The company's struggles took much of the glow off its 50th anniversary.

Van Treeck recalled that, even at the worst times, there were local champions for locally made dairy products. "Retailers included the military, Larry Carr, Orville Proctor and the owners of then prosperous Foodland and Time Savers stores. "They continued to buy from us even when the quality was uneven, the supply was spotty, and the service was mediocre. They felt strongly that Alaskans should support each other and they stuck by us," he said.

Separating Matanuska Maid from the Cooperative It was to the State of Alaska that Mat Maid owed the most money. In the bankruptcy proceedings, State officials reasoned that Matanuska Maid should be allowed to survive, if there were to be any hope of collecting the debt owed. Without Mat Maid, dairy farming in Alaska's – at least as a cohesive industry - would cease to

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exist. Thus, the court allowed the State to take over the Co-op's physical assets in exchange for the debt.

The bankruptcy severed Mat Maid from a half-century of ownership as a farmer cooperative. A new private business, d.b.a. Matanuska Maid Dairy was established.

Seawell used his political clout to convince the State's Agricultural Revolving Loan Fund board (ARLF) to invest another \$1 million to upgrade the Mat Maid facility, its plant equipment and truck fleet. Some of the cash was also used for daily operations and to secure trade credit.

The management team worked tirelessly during mid-1980's to resurrect the business, improving financial, business, and operational practices. Seawell's finance savvy, coupled with Van Treeck's dairy processing background, proved crucial in turning Mat Maid's business prospects. Sales rebounded 60% and topped \$10 million by 1986.

In June 1986, Seawell wanted to step down and suggested Van Treeck as the new general manager. Seawell also advocated a change of legal status for the corporation, a process that took two more years. In 1989, the Creamery Corporation was established, d.b.a. Matanuska Maid Dairy. However, the company was – and continues to be – a property 100% owned by the State.

Despite these positive changes and Seawell's mentorship, the corporation's silver lining peeled off again in 1987, when oil prices plummeted to \$9 a barrel, population dropped as both personal and business bankruptcies ballooned, and Mat Maid was inundated with an excess of very expensive milk from new Pt. MacKenzie farms. Much of the milk ended up being sold at far less than it cost and some of it was destroyed for lack of viable market.

The other hero of this success story is the dairy-consuming public, Van Treeck said. "Shoppers continued to purchase Mat Maid products during hard times when the company was struggling to improve its performance, and even when the retail cost has been higher than competing brands from outside."

This loyalty is no small feat in a tough market, where milk products are often viewed as a commodity and not a premium brand decision for shoppers. Through the years, independent surveys have consistently shown Alaskans favoring Mat Maid products by wide margins. "It's very unusual to have a local brand commanding almost 50% share of the market against chain store brands," Van Treeck said.

In 1989, the ARLF Board named Van Treeck to his current position of President and Chief Executive Officer. Seawell claims to this day that hiring Joe Van Treeck was "the best decision I made during my days at Matanuska Maid."

Alaska in a Global Market: 1986 – 2006

As product diversification helped Mat Maid expand in earlier decades, that trend intensified under Van Treeck's leadership. The expansion in product line and production capability then became an opportunity to export to both domestic and international markets.

"When I arrived at Matanuska Maid, we were only producing fluid milk products," said Van Treeck. "Even though our products are seven days fresher than lower 48 brands (due to the time necessary for shipping to Alaska), people are only willing to pay a little bit more for that extra shelf life." he continued. "To be price competitive with other brands means we're left with low profit margins. We had to diversify our product line and expand our market to stay alive."

Logically, product expansion included new products and sizes of existing lines. New contracts brightened the future, with half-pints of milk, for example, served to school children all over the state. Two of Mat Maid's most popular cultured products, cottage cheese and sour cream, were reintroduced to the public in updated packaging.

Yogurt was the first real venture beyond the basics, in 1987. Mat Maid's cultured yogurt arrived to great favor with the public - 12 fruit flavors in 8-

oz. servings. Because of limited capital for building expansion, all of Mat Maid's products, even new ones, are produced under one roof. Other large dairy companies specialize their manufacturing facilities by each product group.

Under Van Treeck's management, Mat Maid achieved financial self-sufficiency. From that time, the company has improved the state's equity investment and has been profitable enough to finance moderate sized capital projects and product line expansion. "I'm proud of the fact that Mat Maid has been a plus for the state," Van Treeck continued. "There aren't many of its business rescues that have turned out so well; we haven't required a dime from the state since 1988, yet we've managed to reinvest over \$8 million dollars into capital improvements, product enhancements, and distribution efficiencies."

The constraints on the physical plant in Midtown Anchorage – now the hub of a city of 280,000 – didn't prevent Mat Maid from upgrading its menu of products as well as its visibility in stores. In 1996, Carrs Quality Centers – Alaska's largest employer and grocer – expanded its distribution of Mat Maid products throughout its chain to include Fairbanks and Juneau. Van Treeck credits his employees and management team for those gains.

Today, the plant produces – among other products – about 120,000 pounds of fresh milk daily. Important to this dairy production is a stable supply of milk that meets national quality control standards. One concern for Van Treeck is the decreasing volume of milk from Valley farms, while consumer demand for milk products continues to rise.

In spite of incentive pricing, the percentage of milk produced by Mat Maid derived from Alaskan cows has declined from 100% in the 1980's to 35% today. Sustaining agriculture and dairy production in Alaska are important concerns that will need leadership and support from the State of Alaska and the Division of Agriculture.

Larry DeVilbiss, the Director of Alaska's Division of Agriculture, credits Van Treeck with bringing Mat Maid back to financial health and popular acclaim.

DeVilbiss understands the difficulty of making the dairy industry profitable because his own history includes being a Valley farmer. "Joe Van Treeck is undoubtedly the premier industry manager today in Alaska," DeVilbiss reports.

In 1990, the company was among the nation's first to introduce their signature yellow, one-gallon milk jug, which sets it apart from the competition but, more importantly, blocks ultraviolet light while preserving freshness and nutrient value.

In 1995, the company took its first step away from purely dairy-based products when it started making Mat Maid branded orange juice. Freshly made from concentrate, Mat Maid was the first to package 100% Florida orange juice in Alaska, and one of only two processors on the West Coast to receive licensing from the Florida Citrus Commission, for promotional sales support. Sales that year reached \$14.5 million.

Launching an Export The following year, Mat Maid launched a new yogurt-like "pro-biotic" product, named Glacier Yo™. To bring this product into production, Van Treeck and Greg Galik, his marketing advisor, traveled to South Korea to gain understanding of the heritage and affection that Asians have for cultured products. They were able to convince Korean makers to share the highly proprietary recipe. Glacier Yo™ was Mat Maid's first export product, designed with Pacific Rim countries in mind.

The Story of Bottled Water

"We had been experiencing difficulty getting competitively priced plastic jugs from local suppliers," explained Van Treeck. "A board presentation in 1992 convinced directors that we'd be better off having our own capacity to make bottles."

Initially, Mat Maid manufactured yellow milk jugs to satisfy its own needs. Then the company became the plastic container supplier for Delta Junction's Northern Lights Dairy, the only other Alaskan milk bottler in the state. Today almost 30 % of their one gallon bottle capacity is sold to other businesses -

for milk, water and other beverages.

In 1997, Mat Maid further expanded its plastic manufacturing activity, producing clear, single-service plastic containers for the bottled water industry. In 1998, they began contracting orders to fill product for other companies. The bottled water business has grown to include producing Mat Maid's trademarked brands – Clearly Arctic™ and Clearly Alaskan™.

What began as a way to improve the consistent supply and quality of milk containers has become another source of income. Just as significantly, the bottled water has also been the means for Alaska to be marketed in other parts of the world. "I'm a back door entrepreneur, not born with risk-taking genes," said Van Treeck. "I've had to learn to think like one because Mat Maid's only shot at survival into this century was for us to open and develop markets that didn't exist."

Palmer, Alaska, Mat Maid's original hometown, serves as the site for Mat Maid's Plastics Division. Conrad Maslonka, Mat Maid's special projects coordinator, is credited with making the conversion to plastic packaging. When the decision was made to purchase the bottle-making equipment and retrofit the building, Maslonka was tapped to lead the project. The production facility is housed in the building that formerly was the Co-op's feed mill and warehouse. It is next door to buildings from the 1930s that housed the Cooperative's earliest efforts.

The bottle manufacturing plant had to be transformed from an industrial warehouse to Grade A processing quality, on a limited budget. In less than four months, the transformation was complete; bottles were being produced. Of all the projects that Maslonka undertook during his years (1980-1997) at Mat Maid, he said: "The bottle plant is the thing I'm most proud of."

Maslonka met Terry Clark in the early 1990s. With a varied background including business development, Clark witnessed the impact of changes being made at the Palmer operations. When Maslonka retired, Clark was hired as Director of Special Projects. He said: "I witnessed the increase in bottle production capacity – from about 600 bottles to 10,000 bottles an hour with the introduction of the plastic single-serve small bottle production.

Through 2004-05, Clark managed the Plastic Division's latest expansion, the manufacture of yellow half gallon milk bottles as a companion to the larger version. Total bottle manufacturing capacity at the end of 2006 will exceed 15,000 bottles per hour.

Clark has also been tasked with developing sales for bottled water outside of Alaska. It is estimated that 40% of the nation's reserve of fresh drinking water locked in Alaska's glaciers and lakes. That supply, plus Alaska's vaunted image worldwide as a pristine location, gave rise to Mat Maid's newest bottled product: Clearly Arctic™ drinking water. A new premium glacier-source water, Clearly Alaskan™ is entering select markets in the lower 48 in 2006.

Mat Maid's Clearly Arctic™ water bottling plant in Anchorage is currently the only Alaskan facility certified by both the International Bottled Water Association (IBWA) and NSF International - The Public Health and Safety Company™. The US Food and Drug Administration (FDA) and the State of Alaska also conduct inspections of the plant. "The standards required by FDA assure our customers that this water meets the highest standards for purity, process, and handling," Clark stated.

"A Dreamer and the Capital"

Today, Matanuska Maid is Alaska's largest local dairy serving a market of more than 550,000 throughout Alaska. The creamery's impact on the economy of Alaska is substantial, creating hundreds of direct jobs within Matanuska Maid and its family of distributors, as well as supporting hundreds of additional jobs in the dairy and other food service industries statewide.

"We're no longer bound by geography," said CEO Van Treeck. "As people around the world become more conscious of their optimum nutritional needs, Alaska will gain new market opportunities to supply healthy, nutritious products, produced by a sustainable food industry."

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Mat Maid has only cracked open the door to such opportunities. On the dairy products side, potential exists to sell select Mat Maid branded products in Alaska as well as throughout North America and the Pacific Rim. Clearly Arctic™ water and its premium cousin, Clearly Alaskan™ have seemingly endless market opportunities in the rapidly growing global market for bottled water, increasing at rates such as 28% from 2000 to 2003.

Anchorage's airport, long used by airlines as a crossroad for passenger flights, has also become a trans-Pacific hub for air cargo. Hundreds of cargo jets stop at the Anchorage airport each day, providing the transportation infrastructure needed to support the global expansion of markets, sought by Van Treeck and other entrepreneurs.

Van Treeck, believes that Alaska's \$50 million agriculture industry can double, triple and more, given the right political climate, capital investment and vision. Van Treeck said that Mat Maid's \$16 million in sales a year represents a fraction of its potential.

The board and management of Mat Maid seek to build another facility in the greater Anchorage area. Post September 11, 2001, newly mandated measures for food security are not compatible within the present midtown location. In all likelihood, Mat Maid's move will coincide with the company considering options for becoming a privately held corporation. "State ownership, while useful in its time, has now become an impediment to private investment and growth," Van Treeck said.

"Call me a dreamer but I am as enthusiastic about Matanuska Maid's future as I am delighted by its history," Van Treeck continued. "Challenges have always been the food for innovation and opportunity and that's not going to change."

As an example of where this can take us, take a look at the cutting-edge technology of "radio frequency identification" (RFID). Mat Maid has been working with the University of Alaska on an experimental project that ultimately could put tiny radio transmitters on every carton of product leaving our docks. Not only does this have potential for streamlining

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inventory control, it is another security measure guaranteeing that our products ship on time, are not delayed en route, stay at optimum temperatures during transit and arrive fresh.

Today at Mat Maid, we have a wonderful opportunity to grow the step toward new markets, opportunities and sales. "We have three generations of good will, very high brand awareness and close to 50% share of the market. For that, I thank the loyalty of Alaskans who value heritage, capitalism and rugged individualism," Van Treeck added. "Looking forward, the team at Mat Maid has immense talent and energy for contributing to Alaska's quest for sustainability. What better a place to start than with a company that brings you new and healthier ways to start your day?"

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