DEAN FOODS CO
Form 10-K
February 27, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For The Fiscal Year Ended December 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition Period from to

Commission File Number 001-12755

Dean Foods Company

(Exact name of Registrant as specified in its charter)

Delaware	**75-2559681**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2711 North Haskell Avenue Suite 3400

Dallas, Texas 75204

(214) 303-3400

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01par value	**New York Stock Exchange**

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned-issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

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 requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

The aggregate market value of the registrant s voting and non-voting common stock held by non-affiliates of the registrant at June 30, 2011, based on the $12.27 per share closing price for the registrant s common stock on the New York Stock Exchange on June 30, 2011, was approximately $2.20 billion.

The number of shares of the registrant s common stock outstanding as of February 17, 2012 was 184,235,408.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement for its Annual Meeting of Stockholders to be held on or about May 16, 2012, which will be filed within 120 days of the registrant s fiscal year end, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Forward-Looking Statements

This Annual Report on Form 10-K (the Form 10-K) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are predictions based on expectations and projections about future events, and are not statements of historical fact. Forward-looking statements include statements concerning business strategy, among other things, including anticipated trends and developments in and management plans for our business and the markets in which we operate. In some cases, you can identify these statements by forward-looking words, such as estimate, expect, anticipate, project, plan, intend, believe, forecast, foresee, likely, may, should, goal, target, continue, the negative or plural of these words and other comparable terminology. All forward-looking statements included in this Form 10-K are based upon information available to us as of the filing date of this Form 10-K, and we undertake no obligation to update any of these forward-looking statements for any reason. You should not place undue reliance on forward-looking statements. The forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from those expressed or implied by these statements. These factors include the matters discussed in the section entitled Part I Item 1A Risk Factors in this Form 10-K, and elsewhere in this Form 10-K. You should carefully consider the risks and uncertainties described in this Form 10-K.

PART I

Item 1. ***Business***

We are a leading food and beverage company in the United States, as well as a global leader in branded plant-based beverages, such as soy, almond and coconut milks, and other plant-based food products. As we continue to evaluate and seek to maximize the value of our leading brands and product offerings, we have aligned our leadership teams, operating strategies and supply chain initiatives around our three business segments: Fresh Dairy Direct, WhiteWave-Alpro and Morningstar. Fresh Dairy Direct is the largest processor and distributor of milk and other dairy products in the United States, with products sold under more than 50 familiar local and regional brands and a wide array of private labels. WhiteWave-Alpro markets and sells a variety of nationally branded dairy and dairy-related products, such as *Horizon Organic*® milk and other dairy products, *International Delight*® coffee creamers and *LAND O LAKES*® creamers and fluid dairy products, and *Silk*® plant-based beverages, such as soy, almond and coconut milks, and cultured soy products. WhiteWave-Alpro also offers branded plant-based beverages, such as soy, almond and hazelnut drinks, and food products in Europe and markets its products under the *Alpro*® and *Provamel*® brands. Morningstar is a leading producer of extended shelf life (ESL) creams and creamers, beverages and cultured dairy products under a wide array of private labels and the *Friendship* brand.

Our principal executive offices are located at 2711 North Haskell Avenue, Suite 3400, Dallas, Texas 75204. Our telephone number is (214) 303-3400. We maintain a worldwide web site at www.deanfoods.com. We were incorporated in Delaware in 1994.

Our Reportable Segments

We have three reportable segments, Fresh Dairy Direct, WhiteWave-Alpro and Morningstar.

In the fourth quarter of 2011, our Chief Executive Officer, who is our chief operating decision maker, changed the way he determines strategy and investment plans for our operations. As a result, beginning in the fourth quarter of 2011, our Fresh Dairy Direct and Morningstar operations were separated so that our three reporting segments consisted of Fresh Dairy Direct, WhiteWave-Alpro and Morningstar. This change reflects the divergence between the go-to market strategies, customer bases and objectives of our businesses and reflects a change in how we expect to deploy our capital in the future. We believe these revised segments have increased internal focus and offered management and investors improved visibility into the performance of the segments against their specific objectives. All segment results set forth herein have been recast to present results on a comparable basis. These changes had no impact on consolidated net sales or operating income.

During the second quarter of 2010, we committed to a plan to sell the business operations of our Rachel s Dairy companies (Rachel s), which provided organic branded dairy-based chilled yogurt, milk and related dairy products primarily in the United Kingdom. The sale of these operations was completed on August 4, 2010. All of our Rachel s operations, previously reported within the WhiteWave-Alpro segment, have been reclassified as discontinued operations. See Note 2 to our Consolidated Financial Statements. Unless stated otherwise, any reference to income statement items in this Annual Report on Form 10-K refers to results from continuing operations.

3

Table of Contents

Fresh Dairy Direct

Fresh Dairy Direct manufactures, markets and distributes a wide variety of branded and private label dairy case products, including milk, ice cream, cultured dairy products, creamers, juices and teas to retailers, foodservice outlets, distributors, educational institutions and governmental entities across the United States.

Fresh Dairy Direct s net sales totaled $9.6 billion in 2011, or approximately 74% of our consolidated net sales. The following charts graphically depict Fresh Dairy Direct s 2011 net sales by product, customer and volume mix of company branded versus private label products.

(1) Includes half-and-half and whipping cream.
(2) Includes creamers and other ESL fluids.
(3) Includes fruit juice, fruit-flavored drinks, iced tea and water.
(4) Includes ice cream, ice cream mix and ice cream novelties.
(5) Includes items for resale such as butter, cheese, eggs and milkshakes.
(6) Includes restaurants, hotels and other foodservice outlets.

Fresh Dairy Direct sells its products under local and regional proprietary or licensed brands. Products not sold under these brands are sold as private label. Fresh Dairy Direct sells its products primarily on a local or regional basis through its local and regional sales forces, although some national customer relationships are coordinated by a centralized corporate sales department. Fresh Dairy Direct s largest customer is Wal-Mart, including its subsidiaries such as Sam s Club, which accounted for approximately 22% of Fresh Dairy Direct s net sales in 2011.

As of December 31, 2011, Fresh Dairy Direct s local and regional proprietary and licensed brands included the following:

Alta Dena®
Arctic Splash®
Atlanta Dairies®
Barbers®
Barbe s®
Berkeley Farms®
Borden® (licensed brand)
Broughton
Brown Cow®
Brown s Dairy®
Bud s Ice Cream
Chug®
Country Churn®
Country Delite
Country Fresh®
Country Love®
Creamland
Dairy Fresh®
Dean s®
Dipzz®
Fieldcrest®
Foremost® (licensed brand)
Gandy s
Garelick Farms®
Hershey s® (licensed brand)
Hygeia®
Jilbert
Knudsen® (licensed brand)
LAND O LAKES® (licensed brand)
Land-O-Sun & design®
Lehigh Valley Dairy Farms®
Liberty
Louis Trauth Dairy Inc.®
Maplehurst®
Mayfield®
McArthur®
Meadow Brook®
Meadow Gold®
Mile High Ice Cream
Model Dairy®
Morning Glory®
Nature s Pride®
Nurture®
Nutty Buddy®
Oak Farms®
Over the Moon®
Pet® (licensed brand)
Pog® (licensed brand)
Price s
Purity
Reiter
Robinson
Saunders
Schenkel s All*Star
Schepps®
Shenandoah s Pride®
Stroh s®
Swiss Dairy
Swiss Premium
Trumoo®
T.G. Lee®
Tuscan®
Turtle Tracks®
Verifine®
Viva®

Table of Contents

Fresh Dairy Direct currently operates 77 manufacturing facilities in 33 states located largely based on customer needs and other market factors. For more information about facilities in Fresh Dairy Direct, see Item 2. Properties. Due to the perishable nature of its products, Fresh Dairy Direct delivers the majority of its products directly to its customers locations in refrigerated trucks or trailers that we own or lease. This form of delivery is called a direct store delivery or DSD system. We believe that Fresh Dairy Direct has one of the most extensive refrigerated DSD systems in the United States.

The primary raw material used in Fresh Dairy Direct products is conventional raw milk (which contains both raw milk and butterfat) that we purchase primarily from farmers cooperatives, as well as from independent farmers. The federal government and certain state governments set minimum prices for raw milk and butterfat on a monthly basis. Another significant raw material used by Fresh Dairy Direct is resin, which is a fossil fuel-based product used to make plastic bottles. The price of resin fluctuates based on changes in crude oil and natural gas prices. Other raw materials and commodities used extensively by Fresh Dairy Direct include diesel fuel, used to operate our extensive DSD system, and juice concentrates and sweeteners used in our products. Fresh Dairy Direct generally increases or decreases the prices of its fluid dairy products on a monthly basis in correlation with fluctuations in the costs of raw materials, packaging supplies and delivery costs. However, in some cases, we are subject to the terms of sales agreements with respect to the means and/or timing of price increases, particularly for non-dairy input costs such as diesel and resin.

Fresh Dairy Direct has several competitors in each of its major product and geographic markets. Competition between dairy processors for shelf-space with retailers is based primarily on price, service, quality and the expected or historical sales performance of the product compared to its competitors. In some cases Fresh Dairy Direct pays fees to customers for shelf-space. Competition for consumer sales is based on a variety of factors such as brand recognition, price, taste preference and quality. Dairy products also compete with many other beverages and nutritional products for consumer sales.

The dairy industry is a mature and fragmented industry that has traditionally been characterized by slow to flat growth and low profit margins. According to the United States Department of Agriculture (USDA), per capita consumption of fluid milk continues to decline. As a result of the current economic climate and historically high retail prices, the fluid milk category has posted declining volumes over the last several years. In addition, the industry has experienced retail and wholesale margin erosion, as conventional milk prices have increased steadily from 2009 through 2011. During the fourth quarter of 2011, milk prices decreased slightly, and retailers did not fully reflect such declines in shelf pricing, which partially restored the historical price relationship between branded and private label milk and allowed our regional brands to compete more effectively during the quarter. Our fluid milk volumes, in general, outpaced the industry due to the addition of new customers during the second half of 2011. Despite ongoing challenges to our sales volume performance, we expect our fluid milk volumes to remain flat in the near term.

To further improve profitability and stabilize margin erosion, we will continue to place an emphasis on cost reduction in 2012. Organizational changes are in process to reduce our total cost to serve and our selling and general and administrative costs. We remain focused on sustaining positive cash flow and net debt reduction.

For more information on factors that could impact Fresh Dairy Direct, see Government Regulation Milk Industry Regulation , Part II Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Known Trends and Uncertainties Prices of Raw Milk and Other Inputs, as well as Note 19 to our Consolidated Financial Statements.

WhiteWave-Alpro

WhiteWave-Alpro develops, manufactures, markets and sells a variety of nationally branded dairy and dairy-related products, such as *Horizon Organic* milk and other dairy products, *International Delight* coffee creamers and *LAND O LAKES* creamers and fluid dairy products, and *Silk* plant-based beverages, such as soy, almond and coconut milks, and cultured soy products. WhiteWave-Alpro also offers branded plant-based beverages, such as soy, almond and hazelnut drinks, and food products in Europe and markets its products under the *Alpro* and *Provamel* brands.

WhiteWave-Alpro s net sales totaled $2.1 billion in 2011, or approximately 16% of our consolidated net sales. WhiteWave-Alpro sells its products to a variety of customers, including grocery stores, club stores, natural foods stores, mass merchandisers, convenience stores, drug stores and foodservice outlets. WhiteWave-Alpro sells its products primarily through its internal sales forces and independent brokers. WhiteWave-Alpro s largest customer is Wal-Mart, including its subsidiaries such as Sam s Club, which accounted for approximately 16% of WhiteWave-Alpro s net sales in 2011. Approximately 83% of WhiteWave-Alpro s net sales are domestic.

Table of Contents

The following charts graphically depict WhiteWave-Alpro s 2011 net sales by brand mix and customers:

(1) Includes private label organic milk and plant-based products.
(2) Includes both *Alpro* and *Provamel* brands in Europe.

WhiteWave-Alpro currently operates five domestic and four international manufacturing facilities. For more information about our WhiteWave-Alpro facilities, see Item 2. Properties. The remaining products are manufactured by third-party manufacturers under processing agreements. The majority of WhiteWave-Alpro s products are delivered through warehouse delivery systems.

The primary raw material used in our organic milk-based products is organic raw milk. We currently work with more than 600 dairy farmers across the United States and purchase 93% of our organic raw milk from this network. The balance of our organic raw milk is sourced from two farms that we own. We generally enter into supply agreements with organic dairy farmers with typical terms of two to five years, which obligate us to purchase certain minimum quantities of organic raw milk. The organic dairy industry continues to experience significant swings in supply and demand. Industry regulation and the costs of organic farming compared to the cost for conventional farming can impact the supply of organic raw milk in the market.

The primary raw materials used in our creamer products are conventional raw milk, palm oil, flavorings and sweeteners. Certain of these raw materials are purchased under long-term contracts to better manage the supply and costs of our inputs.

The primary raw materials used in our plant-based products include non-genetically modified (non-GMO) soybeans, organic soybeans and almonds. Soybeans and almonds are generally available from several suppliers and we are not dependent on any single supplier for these raw materials.

WhiteWave-Alpro has several competitors in each of its product markets. Competition to obtain shelf-space with retailers for a particular product is based primarily on brand recognition and the expected or historical sales performance of the product compared to its competitors. In some cases, WhiteWave-Alpro pays fees to retailers to obtain shelf-space for its products. Competition for consumer sales is based on many factors, including brand recognition, price, taste preferences and quality. Consumer demand for plant-based and organic beverages and foods has grown in recent years due to growing consumer confidence in the health benefits attributable to these products, and we believe WhiteWave-Alpro has a leading position in these categories.

For more information on factors that could impact the results of WhiteWave-Alpro, see Government Regulation Organic Regulations, Part II Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Known Trends and Uncertainties Prices of Raw Milk and Other Inputs, as well as Note 19 to our Consolidated Financial Statements.

Table of Contents

Morningstar

Morningstar Foods is a leading U.S. manufacturer of extended shelf life (ESL) creams and creamers, beverages and cultured dairy products with an emphasis on foodservice and private label retail customers. These products include half and half, whipping cream, ice cream mix, value-added milks, sour cream and cottage cheese and are sold under a wide array of private labels and the *Friendship* brand. In addition to being sold through retailers for at-home consumption, these products are important ingredients for restaurant menu items such as desserts, soups, and coffee-specialty drinks.

Morningstar s net sales totaled $1.3 billion in 2011, or approximately 10% of our consolidated net sales. Morningstar sells its products to a variety of customers, including foodservice distributors, national restaurant chains, grocery stores and mass merchandisers. Morningstar sells its products through its internal sales force and independent brokers. Morningstar s largest customer accounted for approximately 15% of Morningstar s net sales in 2011.

The following charts graphically depict Morningstar s 2011 net sales by customer and product.

Morningstar currently operates 12 manufacturing facilities domestically and has one of the most extensive manufacturing networks for these products in the United States. For more information about our Morningstar facilities, see Item 2. Properties. Morningstar s products are delivered through warehouse delivery systems.

The primary raw materials used in Morningstar products are conventional raw milk and bulk cream. Cream is priced based on a multiple of the grade AA butter price and Class II butterfat price. The federal government and certain state governments set minimum prices for bulk cream and butterfat on a monthly basis. The pass-through mechanism for bulk cream and butterfat inputs differs from the fluid milk pricing mechanism in that Morningstar s products are generally priced before input costs are known. Morningstar works to pass through changes in bulk cream and butterfat costs through a mix of forecast pricing, true-up pricing and the direct, but lagged, pass-through of input cost changes. As a result, changes in bulk cream and butterfat prices can have a significant impact on Morningstar s profitability from period to period.

Morningstar has several competitors in each of its customer channels and major products. Competition within foodservice and retail customers is based primarily on quality, price and service. Competition for consumer sales is based on a variety of factors such as price, taste preference and quality. Dairy products also compete with many other products for consumer sales.

For more information on factors that could impact Morningstar, see Government Regulation Milk Industry Regulation , Part II Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Known Trends and Uncertainties Prices of Raw Milk and Other Inputs, as well as Note 19 to our Consolidated Financial Statements.

Current Business Strategy

The evolution of Dean Foods into a leading dairy processor began in the early nineties with an acquisition-focused strategy centered on creating scale to align with a consolidating customer base. Between 1993 and 2009, we completed more than 40 acquisitions of high quality dairies, dairy products and plant-based brands, increasing net sales from $150 million to more than $13 billion in 2011. We believe our portfolio of manufacturing and distribution assets enables us to offer regional and national branded and private label products across a variety of product categories, ranging from short shelf life (less than 20 days) to extended shelf life (ESL) (45 to 60 days) to shelf stable products (6 to 12 months), to customers in a cost effective manner. We believe that Fresh Dairy Direct operates one of the most extensive refrigerated DSD networks in the United States, WhiteWave-Alpro maintains significant share positions in plant-based beverages and other plant-based food products, organic dairy and creamers in the United States and Europe, and Morningstar maintains a leading position within the cultured and ESL product categories.

Each of our three reporting segments, Fresh Dairy Direct, WhiteWave-Alpro and Morningstar, operates a distinct business, and we have developed separate strategies to address their respective sets of business opportunities and challenges. As explained more fully below, our Fresh Dairy Direct strategy focuses on reducing cost and increasing profitability. In contrast, we believe WhiteWave-Alpro and Morningstar are well positioned to build on the continuing growth of their respective businesses, and we have developed strategies to further expand that growth while continuing to focus on cost reduction and capability building.

Fresh Dairy Direct

Fresh Dairy Direct s strategy is to achieve significantly lower costs and use those lower costs to win new customers and grow profitability. To build the core business while meeting current market challenges and customer expectations, Fresh Dairy Direct focuses on the following:

- Driving volume gains through the acquisition of new customers;
- Actively managing commodity input costs in an inflationary environment to maximize profitable growth; and
- Aligning our field and support functions under a single leadership team to best serve our customers, permanently remove costs and improve profitability.

WhiteWave-Alpro

WhiteWave-Alpro competes in categories such as organic milk, creamers and plant-based beverages (such as soy, almond, coconut and hazelnut drinks) that we believe have strong long-term growth potential due to their relative immaturity, low household penetration numbers and strong consumer interest. Within these categories, WhiteWave-Alpro brands are often category leaders. To further build growth, the WhiteWave-Alpro strategy encompasses the following:

- Expanding the plant-based beverage category s scope by further expansion with products such as almond, coconut and hazelnut drinks, and continuing to innovate behind the *Silk* and *Alpro* brands;
- Investing in emerging and alternative channels and expanding the geography and platform of our portfolio;
- Reducing costs to increase profitability, including creation of a new, centrally-located U.S. production facility to add needed capacity and further optimize the supply chain for growth;

Developing commercial, marketing, innovation, customer logistics, financial management and strategic sales capabilities to enhance growth within the organization; and

Continuing to support our environment, community and employees through sustainability efforts, building organizational diversity and safeguarding the unique culture and reputation of the organization.

Table of Contents

Morningstar

Morningstar s business is centered around ESL creams and creamers, beverages and cultured dairy products for foodservice and private label retailers. We believe this business has strong growth potential due to ongoing growth in restaurant dessert and indulgent beverage programs, such as specialty coffees, milkshakes and smoothies, and the increasing penetration of private label products. The Morningstar strategy focuses on the following:

- Continuing to gain new points of distribution in our core categories within our core customer segments;
- Working with our customers to increase sales velocity of our products by growing private label shares of our categories and increasing the presence and attractiveness of our products on our customers menus;
- Reducing operational costs through productivity, simplification of our business and optimization of our manufacturing network; and
- Continuing product development, commercialization and strategic sales efforts to enhance growth.

Corporate Responsibility

Within these strategies, a sense of corporate responsibility remains an integral part of our efforts, despite the economic challenges we have faced. As we work to strengthen our business, we are committed to do it in a way that is right for our employees, shareholders, consumers, customers and the environment. We intend to realize savings by reducing waste and duplication while we continue to support programs that improve our local communities.

Seasonality

Our business is affected by seasonal changes in the demand for dairy products. The demand for dairy is fairly stable through the first three quarters of the year with a marked increase in the fourth quarter. Fluid milk volumes tend to decrease in the second and third quarters of the year primarily due to the reduction in dairy consumption associated with our school business. However, this drop in volumes is typically offset by the increase in ice cream and ice cream mix consumption during the summer months. Sales volumes are typically higher in the fourth quarter associated with increased dairy consumption, especially fresh cream and creamers, during seasonal holidays. Because certain of our operating expenses are fixed, fluctuations in volumes and revenue from quarter to quarter may have a material effect on operating income for the respective quarters.

Intellectual Property

We are continually developing new technology and enhancing existing proprietary technology related to our dairy operations. As of December 31, 2011, 16 United States and 6 international patents have been issued to us and 21 United States and 45 international patent applications are pending. We primarily rely on a combination of trademarks, copyrights, trade secrets, confidentiality procedures and contractual provisions to protect our technology and other intellectual property rights. Despite these protections, it may be possible for unauthorized parties to copy, obtain or use certain portions of our proprietary technology or trademarks.

Research and Development

With our state-of-the-art research and development (R&D) facility, we utilize our team of top consumer packaged goods talent to generate and test new product concepts, new flavors and packaging. Our total R&D expense was $19.7 million, $ 25.8 million and $25.5 million for 2011, 2010 and 2009, respectively.

Developments since January 1, 2011

Competitive Pressures and Consumer Environment As a result of the current economic climate and historically high retail prices, the fluid milk category has posted declining volumes over the last several years. In addition, the industry has experienced retail and wholesale margin erosion, as conventional milk prices have increased steadily from 2009 through 2011. During the fourth quarter of 2011, milk prices decreased slightly, and retailers did not fully reflect such declines in shelf pricing, which partially restored the historical price relationship between branded and private label milk and allowed our regional brands to compete more effectively during the quarter. Our fluid milk volumes, in general, outpaced the industry due to the addition of new customers during the second half of 2011. Despite ongoing challenges to our sales volume performance, we expect our fluid milk volumes to remain flat in the near term.

Table of Contents

To improve profitability and to stabilize margin erosion, we will continue to emphasize cost reduction in 2012. Organizational changes are in process to reduce our total cost to serve and our selling and general and administrative costs. We remain focused on sustaining positive cash flow and net debt reduction.

Conventional Milk Environment Conventional milk prices increased sharply in March of 2011 and continued to increase through the third quarter of 2011, before gradually declining in the fourth quarter. Class I and Class II butterfat prices were the highest the industry has experienced in recent history, and all Class I and Class II pricing remains significantly higher than 2010. This significant increase in conventional milk prices during 2011 was a result of limited inventories of butterfat and nonfat solids coupled with strong demand for butter, nonfat dry milk and cheese both domestically and internationally. After declining modestly throughout the first quarter, we expect Class I and Class II pricing to remain relatively flat throughout 2012.

Goodwill Impairment During the third quarter of 2011, we performed a step one interim goodwill analysis of our Fresh Dairy Direct reporting unit. A prolonged economic decline has resulted in significantly lower consumer spending, declining volumes in the fluid milk industry and increased competitive pricing pressures that are unlikely to improve materially. These conditions have continued to affect both consumption and pricing in our Fresh Dairy Direct product categories, which culminated in a change to our outlook for that business.

Based on the results of the step one analysis, we determined that the carrying value of our Fresh Dairy Direct reporting unit exceeded its fair value; therefore, we were required to perform step two of the impairment analysis to determine the amount of goodwill impairment to be recorded. The amount of the impairment was calculated by comparing the implied fair value of the goodwill to its carrying amount, which required us to allocate the fair value determined in the step one analysis to the individual assets and liabilities of the reporting unit. Any remaining fair value represented the implied fair value of goodwill on the testing date.

Based on the step two valuation, we concluded the implied fair value of our Fresh Dairy Direct goodwill was $87 million. Accordingly, we recorded a $2.1 billion non-cash charge ($1.6 billion net of tax) in 2011. This impairment charge did not impact our operations, compliance with our debt covenants or our cash flows. We assessed each of our reporting units for impairment during the fourth quarter of 2011 in connection with our annual impairment test, which is conducted annually as of December 1, and concluded there was no goodwill impairment for our WhiteWave, Morningstar or Alpro reporting units and no additional goodwill impairment for our Fresh Dairy Direct reporting unit. Additionally, in connection with our annual impairment testing, we concluded that none of our indefinite-lived trademarks were impaired. See Note 6 to our Consolidated Financial Statements for further information with respect to our interim and annual goodwill impairment testing.

Facility Closing and Reorganization Activities In an effort to continue to optimize our distribution network, we closed two production facilities and a number of distribution facilities within Fresh Dairy Direct during 2011. Additionally, we incurred charges related to workforce reductions under our organization optimization and department realignment initiatives. We recorded facility closing and reorganization costs of $45.7 million in 2011.

During the first quarter of 2012, our management team reassessed our company-wide strategy, resulting in a shift in focus to deploying our capital and strategically investing in the value-added segments of our business. With this new strategy, our goal is to invest our strategic capital primarily in those initiatives that yield higher returns over shorter time frames. In connection with this change, our management team approved a cost reduction plan that is focused on aligning key functions within the Fresh Dairy Direct organization under a single leadership team and permanently removing costs from the Fresh Dairy Direct organization as well as certain functions that support this segment of our business. We expect to incur charges of approximately $25 million under this initiative, primarily related to workforce reduction costs, the write-down of certain information technology assets and costs associated with exiting other commitments deemed not necessary to execute our new strategy.

We continue to look for areas of opportunity and will likely incur additional costs related to these efforts and other initiatives in the near term as we continue to transform our business. See Note 16 to our Consolidated Financial Statements for more information regarding our facility closing and reorganization activities.

Management Changes In connection with our decision to combine the supply chain and sales and distribution functions of Fresh Dairy Direct under a single leadership team, effective February 4, 2012, we eliminated Christopher Sliva s position as Chief Commercial Officer. Gregg Tanner assumed the role of President of Fresh Dairy Direct, in addition to continuing to serve in his current role as our Chief Supply Chain Officer. Additionally, effective February 4, 2012, we eliminated Greg McKelvey s position as Chief Strategy and Transformation Officer.

Mr. Sliva and Mr. McKelvey each received benefits in accordance with our Executive Severance Pay Plan, filed with the SEC as Exhibit 10.1 to our Current Report on Form 8-K on November 19, 2010.

DOJ Litigation Settlement In March 2011 we reached a settlement with the United States Department of Justice (DOJ) and the States of Wisconsin, Illinois and Michigan related to our acquisition of the Consumer Products Division of Foremost Farms USA in April 2009. Pursuant to the settlement, we sold the fluid milk operations at our Fresh Dairy Direct manufacturing facility in Waukesha, Wisconsin (Waukesha) on September 8, 2011. See Notes 2 and 18 to our Consolidated Financial Statements. This operation did not meet the requirements to be accounted for as a discontinued operation.

Table of Contents

Tennessee Dairy Farmer Action Settlement On July 12, 2011, we entered into a settlement agreement with the class plaintiffs in the dairy farmer actions. Under the proposed settlement agreement, we agreed to pay a total of up to $140 million over a period of four to five years into a fund for distribution to dairy farmer class members in a number of Southeastern states.

On July 28, 2011, the Court issued an order partially decertifying the dairy farmer plaintiff class with which we had previously entered into the settlement agreement. In order to pursue a final and certain resolution consistent with the terms of the settlement agreement, we filed a motion with the Court on August 5, 2011 to vacate preliminary approval of the settlement agreement, defer associated deadlines related to the settlement, and to clarify the role of class counsel in light of the Court s decertification order. The motion was granted by the Court and a Memorandum Opinion was issued on August 31, 2011. On December 27, 2011, interim counsel for the putative Dairy Farmers of America (DFA) member subclass filed a motion to certify the DFA subclass for settlement purposes and to reinstate preliminary approval of the July 12, 2011 settlement agreement. On February 14, 2012, the Court granted preliminary approval of the settlement agreement, and set May 15, 2012 as the date to consider final approval of the agreement. Per the terms of the settlement agreement, on February 21, 2012 we made a payment of $60 million into an escrow account to be distributed following the Court s final approval and issued a standby letter of credit in the amount of $80 million to support subsequent payments due under the agreement. The settlement agreement requires us to make a payment of up to $20 million on each of the following four anniversaries of the settlement agreement s final approval date. There can be no assurance that the settlement agreement will receive final approval in its current form, in another form that is acceptable to the Court and the parties, or at all.

In the second quarter of 2011, we recorded a $131.3 million charge and a corresponding liability for the present value of our obligations under the original settlement agreement, based on imputed interest computed at a rate of 4.77%, which approximates our like-term incremental fixed rate borrowing cost. We have continued to accrete interest related to this recorded liability as we believe a settlement of this matter is likely to occur under substantially similar financing terms. See Note 18 to our Consolidated Financial Statements for further information.

Divestiture of Yogurt Operations In the fourth quarter of 2010, we entered into two separate agreements to sell our Mountain High and private label yogurt operations, which were part of our Fresh Dairy Direct and Morningstar segments. On February 1, 2011, we completed the sale of our Mountain High yogurt operations, and on April 1, 2011, we completed the sale of our private label yogurt operations, recording a gain on both transactions. These operations did not meet the requirements to be accounted for as discontinued operations. See Note 2 to our Consolidated Financial Statements.

Hero/Whitewave Joint Venture In the second quarter of 2011, we began evaluating strategic alternatives related to our 50% owned joint venture between WhiteWave and Hero Group (Hero), which is a part of our WhiteWave-Alpro segment. During the third quarter of 2011, due to continued poor performance by the venture and a desire on our part to invest in core operations, a recommendation was made to, and approved by, the joint venture partners to wind down the joint venture operations during the fourth quarter of 2011. In conjunction with this action plan, we wrote down the joint venture s long-lived assets to fair value less costs to sell as of September 30, 2011. Additionally, based on our continuing level of involvement with the joint venture, we have continued to consolidate the venture in our Consolidated Financial Statements. We completed the majority of the wind-down of the joint venture during the fourth quarter of 2011. Upon completion of the wind-down in the first half of 2012, we may incur additional charges related to the final settlement with our joint venture partner, Hero Group. See Note 2 to our Consolidated Financial Statements.

Table of Contents

Employees

As of December 31, 2011, we had the following employees:

	00000000000 No. of Employees	00000000000 % of Total
Fresh Dairy Direct	19,056	79%
WhiteWave-Alpro	2,337	10
Morningstar	1,992	8
Corporate	681	3
Total	24,066	100%

Approximately 39% of Fresh Dairy Direct s, 26% of WhiteWave-Alpro s and 46% of Morningstar s employees participate in collective bargaining agreements. We believe our relationship with our employees and these organizations is satisfactory.

Government Regulation

Food-Related Regulations

As a manufacturer and distributor of food products, we are subject to a number of food-related regulations, including the Federal Food, Drug and Cosmetic Act and regulations promulgated thereunder by the U.S. Food and Drug Administration (FDA). This comprehensive regulatory framework governs the manufacture (including composition and ingredients), labeling, packaging and safety of food in the United States. The FDA:

- Regulates manufacturing practices for foods through its current good manufacturing practices regulations;
- Specifies the standards of identity for certain foods, including many of the products we sell; and
- Prescribes the format and content of certain information required to appear on food product labels.

In addition, the FDA enforces the Public Health Service Act and regulations issued thereunder, which authorizes regulatory activity necessary to prevent the introduction, transmission or spread of communicable diseases. These regulations require, for example, pasteurization of milk and milk products. We are subject to numerous other federal, state and local regulations involving such matters as the licensing and registration of manufacturing facilities, enforcement by government health agencies of standards for our products, inspection of our facilities and regulation of our trade practices in connection with the sale of food products.

We use quality control laboratories in our manufacturing facilities to test raw ingredients. Product quality and freshness are essential to the successful distribution of our products. To monitor product quality at our facilities, we maintain quality control programs to test products during various processing stages. We believe our facilities and manufacturing practices are in material compliance with all government regulations applicable to our business.

Employee Safety Regulations

We are subject to certain safety regulations, including regulations issued pursuant to the U.S. Occupational Safety and Health Act. These regulations require us to comply with certain manufacturing safety standards to protect our employees from accidents. We believe that we are in material compliance with all employee safety regulations applicable to our business.

Environmental Regulations

We are subject to various environmental regulations. Our plants use a number of chemicals that are considered to be extremely hazardous substances pursuant to applicable environmental laws due to their toxicity, including ammonia, which is used extensively in our operations as a refrigerant. Such chemicals must be handled in accordance with such environmental laws. Also, on occasion, certain of our facilities discharge biodegradable wastewater into municipal waste treatment facilities in excess of levels allowed under local regulations. As a result, certain of our facilities are required to pay wastewater surcharges or to construct wastewater pretreatment facilities. To date, such wastewater surcharges have not had a material effect on our financial condition or results of operations.

We maintain above-ground and under-ground petroleum storage tanks at many of our facilities. We periodically inspect these tanks to determine whether they are in compliance with applicable regulations and, as a result of such inspections, we are required to make expenditures from time to time to ensure that these tanks remain in compliance. In addition, upon removal of the tanks, we are sometimes required to make expenditures to restore the site in accordance with applicable environmental laws. To date, such expenditures have not had a material effect on our financial condition or results of operations.

Table of Contents

We believe that we are in material compliance with the environmental regulations applicable to our business. We do not expect the cost of our continued compliance to have a material impact on our capital expenditures, earnings, cash flows or competitive position in the foreseeable future. In addition, any asset retirement obligations are not material.

Milk Industry Regulation

The federal government establishes minimum prices that we must pay to producers in federally regulated areas for raw milk. Raw milk primarily contains raw skim milk, in addition to a small percentage of butterfat. Raw milk delivered to our facilities is tested to determine the percentage of butterfat and other milk components, and we pay our suppliers for the raw milk based on the results of these tests.

The federal government s minimum prices vary depending on the processor s geographic location or sales area and the type of product manufactured. Federal minimum prices change monthly. Class I butterfat and raw skim milk prices (which are the minimum prices we are required to pay for raw milk that is processed into Class I products such as fluid milk) and Class II raw milk prices (which are the prices we are required to pay for raw milk that is processed into Class II products such as cottage cheese, creams, creamers, ice cream and sour cream) for each month are announced by the federal government the immediately preceding month.

Some states have established their own rules for determining minimum prices for raw milk. In addition to the federal or state minimum prices, we also may pay producer premiums, procurement costs and other related charges that vary by location and supplier.

Organic Regulations

Our organic products are required to meet the standards set forth in the Organic Foods Production Act and the regulations adopted thereunder by the National Organic Standards Board. These regulations require strict methods of production for organic food products and limit the ability of food processors to use non-organic or synthetic materials in the production of organic foods or in the raising of organic livestock. We believe that we are in material compliance with the organic regulations applicable to our business.

Minority Holdings and Other Interests

Consolidated Container Company

We own an approximately 25% non-controlling interest, on a fully diluted basis, in Consolidated Container Company (CCC), one of the nation s largest manufacturers of rigid plastic containers and our largest supplier of plastic bottles and bottle components. We have owned a minority interest in CCC since July 1999 when we sold our U.S. plastic packaging operations to CCC. Vestar Capital Partners, an unaffiliated entity, controls CCC through a majority ownership interest. Pursuant to our agreements with Vestar, we control two of the eight seats on CCC s Management Committee. We also have entered into various supply agreements with CCC through December 31, 2014, pursuant to which we have agreed to purchase certain of our requirements for plastic bottles and bottle components from CCC. We spent \$360.3 million, \$314.9 million and \$268.2 million on products purchased from CCC during the years ended December 31, 2011, 2010 and 2009, respectively. See Note 3 to our Consolidated Financial Statements for more information regarding our relationship with CCC.

Hero/WhiteWave Joint Venture

In January 2008, WhiteWave entered into and formed a 50/50 strategic joint venture with Hero Group (Hero), a producer of international fruit and infant nutrition brands. During 2011, the joint venture partners decided to wind down Hero s operations. See Note 2 to our Consolidated Financial Statements for more information regarding the wind-down of the joint venture.

During 2011 and 2010, our joint venture partner made cash contributions of \$6.8 million and \$8.0 million, respectively. Our joint venture partner did not make any non-cash contributions in 2011 or 2010. During 2011 and 2010, we made cash contributions of \$6.9 million and \$8.8 million, respectively, and continued non-cash contributions in the form of the capital lease for the manufacturing facility constructed at one of our existing WhiteWave plants. The joint venture has assets of \$4.0 million, primarily equipment held for sale, and liabilities of \$2.4 million, which are included within the WhiteWave-Alpro segment as of December 31, 2011.

Where You Can Get More Information

Our fiscal year ends on December 31. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission.

Table of Contents

You may read and copy any reports, statements or other information that we file with the Securities and Exchange Commission at the Securities and Exchange Commission s Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the Securities and Exchange Commission. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the Public Reference Room.

We file our reports with the Securities and Exchange Commission electronically through the Securities and Exchange Commission s Electronic Data Gathering, Analysis and Retrieval (EDGAR) system. The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements and other information regarding companies that file electronically with the Securities and Exchange Commission through EDGAR. The address of this Internet site is *http://www.sec.gov*.

We also make available free of charge through our website at *www.deanfoods.com* our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Our Code of Ethics is applicable to all of our employees and directors, with the exception of our Alpro employees, who are subject to a comparable code of ethics. Our Code of Ethics is available on our corporate website at *www.deanfoods.com*, together with the Corporate Governance Principles of our Board of Directors and the charters of all of the Committees of our Board of Directors. Any waivers that we may grant to our executive officers or directors under the Code of Ethics, and any amendments to our Code of Ethics, will be posted on our corporate website. If you would like hard copies of any of these documents, or of any of our filings with the Securities and Exchange Commission, write or call us at:

Dean Foods Company

2711 North Haskell Avenue, Suite 3400

Dallas, Texas 75204

(214) 303-3400

Attention: Investor Relations

Item 1A. *Risk Factors*

Competitive Risks

Volume Softness in the Dairy Category Has Had a Negative Impact on Our Sales and Profits.

Industry-wide volume softness across dairy product categories continued in 2011. In particular, the fluid milk category has experienced declining volumes over the past several years. Decreasing dairy category volume has increased the impact of declining margins on our business. Periods of declining volumes limit the amount of price increases that we can seek to recapture. We expect these trends to continue for the foreseeable future, which could further negatively affect our business. In addition, during 2010 and 2011, we experienced a decline in historical volumes from some of our largest customers, which has negatively impacted our sales and profitability and which will continue to have a negative impact in the future if we are not able to attract and retain a profitable customer mix.

We are Subject to Competitive Bidding Situations, the Outcome of Which Could Negatively Impact Our Sales and Profits.

Many of our retail customers have become increasingly price sensitive in the current economic climate, which has intensified the competitive environment in which we operate. As a result of the intensely competitive dairy environment, we have been subject to a number of competitive bidding situations, both formal and informal, particularly within Fresh Dairy Direct and Morningstar, which has reduced our profitability on sales to several customers. We expect this trend of competitive bidding to continue. In some cases, we have replaced lost volume with lower margin business, which also negatively impacts our profitability. If we are unable to structure our business to appropriately respond to the pricing demands of our customers, we may lose these customers to other processors that are willing to sell product at a lower cost, which could negatively impact our sales and profits.

Table of Contents

Continued Price Concessions on Fluid Milk to Large Format Retailers, and the Continued Shift to Private Label, Has Decreased Our Operating Margins and Profitability.

Many of our customers, such as supermarkets, warehouse clubs and food distributors, have experienced industry consolidation in recent years and this consolidation is expected to continue. These consolidations have produced large, sophisticated customers with increased buying power, and have increased the significance of large-format retailers and discounters. As a result, we are increasingly dependent on key retailers, which have significant bargaining power. In addition, some of these customers are vertically integrated and have re-dedicated key shelf-space currently occupied by our regionally branded products for their private label products. Higher levels of price competition and higher resistance to price increases have had a significant impact on our business. During 2011, retailers continued to push suppliers for lower prices, which decreased our margins. In addition, the fluid milk category continued to experience low pricing on private label milk during 2011. As a result, we are experiencing a continued shift from branded to private label products, as economically stressed consumers choose private label products over more expensive regional brands. If we are not able to lower our cost structure adequately, our profitability could continue to be adversely affected by the decrease in margin.

Increased Competition With Our Nationally and Internationally Branded Products and Continued Economic Weakness Could Impede Our Growth Rate and Profit Margin.

In recent years, growth in our business has primarily resulted from the strength of our nationally and internationally branded products. Our brands such as *Silk*, *Horizon Organic, LAND O LAKES, International Delight, Alpro* and *Provamel* have benefited in many cases from being the first to introduce products in their categories. As plant-based, organic and coffee-enhancing products have gained in popularity with consumers, our products in these categories have attracted competitors, including private label competitors who sell their products at a lower price. In addition, our branded products typically have higher marketing costs than our regionally branded or private label products, which could negatively impact the profitability of this segment of our business. In periods of economic weakness, consumers tend to purchase lower-priced products, including conventional milk, coffee creamers and other private label products, which could reduce sales of our branded products. The willingness of consumers to purchase our products will depend upon our ability to offer products providing the right consumer benefits at the right price. Further trade down to lower priced products could adversely affect our sales and profit margin for our branded products.

Many large food and beverage companies have substantially more resources than we do, and they may be able to market their products more successfully than we can, which could cause our growth rate in certain categories to be slower than our forecast and could cause us to lose sales. Some of our branded products compete intensely for consumer spend. If our branded products fail to compete successfully with other branded offerings in the marketplace, our sales and profitability could be negatively impacted.

The Loss of Any of Our Largest Customers Could Negatively Impact Our Sales and Profits.

Our largest customer, Wal-Mart Stores, Inc. and its subsidiaries, including Sam s Club, accounted for approximately 19% of consolidated net sales during 2011. During 2011, our top five customers, collectively, accounted for approximately 28% of our consolidated net sales. We do not generally enter into written agreements with our customers, and where such agreements exist, they are generally terminable at will by the customer. The loss of any large customer for an extended length of time could negatively impact our sales and profits.

Commodity Risks

Availability of and Changes in Raw Materials and Other Input Costs Can Adversely Affect Us.

Our business is heavily dependent on raw materials such as conventional and organic raw milk, butterfat, diesel fuel, resin, soybeans and other commodities. In addition to our dependence on conventional and organic raw milk, our Fresh Dairy Direct segment is a large consumer of diesel fuel, and Morningstar and WhiteWave-Alpro are affected by the costs of petroleum-based products through the use of common carriers and packaging. The prices of these materials increase and decrease based on market conditions, and in some cases, governmental regulation. Weather, including the heightened impact of weather events related to climate change, also affects the availability and pricing of these inputs. Sometimes supplies of raw materials, such as resin, have been insufficient to meet demand. Volatility in the cost of our raw materials, particularly diesel fuel and other non-dairy inputs, has adversely affected our profitability as upward price changes often lag changes in costs we charge our customers. In some cases the price increases of these non-dairy inputs may exceed the price increases we are able to pass along to our customers due to contractual and other limitations. In periods of rapid movements in dairy commodities, our ability to pass-through costs is impaired due to the timing of passing through the price increases. These lags and limitations have periodically decreased our profit margins in inflationary markets. In addition, raw material cost fluctuations from year to year can cause our revenues to increase or decrease significantly compared to prior periods.

Raw milk and bulk cream are the primary ingredients in many of Morningstar s products. The pass-through mechanism for butterfat and bulk cream inputs differs from the fluid milk pricing mechanism in that Morningstar s products are generally priced before input costs are known. Morningstar works to pass through changes in butterfat and bulk cream costs through a mix of forecast pricing, true-up pricing and the direct, but lagged, pass-through of cost changes. As a result, rapid increases in butterfat and bulk cream prices can have a substantial impact on Morningstar s profitability from period to period. In addition, Morningstar sets pricing for non-dairy inputs with the majority of its customers annually and generally lacks the ability to pass through increases in these inputs to those customers. This pricing method may further negatively impact Morningstar s profitability in periods of inflationary costs.

Table of Contents

The organic dairy industry is continuing to develop in terms of consumer acceptance and market penetration, and, as a result, continues to experience significant swings in supply and demand. Industry regulation, and the costs of organic farming compared to prices paid for conventional farming can impact the supply of organic raw milk in the market. An oversupply of organic raw milk can cause significant discounting in the sale of organic packaged milk, which increases competitive pressure on our branded products and could cause our profitability to suffer. An undersupply or higher input costs can increase the cost and availability of organic raw milk, which can cause product shortages or retail price gaps between private label and branded products to expand, potentially decreasing our volumes and adversely affecting our results. We experienced a tightening of organic milk supply during the fourth quarter of 2011, which increased costs, impacted availability of organic milk and negatively impacted our sales volume of organic milk. In 2012, we expect the organic milk supply challenges to continue, which may continue to pressure our costs and impact our volume sales of organic milk. In addition, the impact of retail price gaps may be compounded by the current economic environment as consumers become increasingly focused on product pricing. Moreover, consumers may choose to purchase conventional milk instead of organic milk due to differences in cost, which could further decrease our volumes and results.

Capital Markets and General Economic Risks

We Have Substantial Debt and Other Financial Obligations and We May Incur Even More Debt.

We have substantial debt and other financial obligations and significant unused borrowing capacity. At December 31, 2011, we had outstanding borrowings of approximately $2.5 billion under our senior secured credit facility, of which $2.4 billion were in term loan borrowings with an additional $100 million in outstanding borrowings under our $1.5 billion senior secured revolving line of credit. In addition, we had $1.0 billion aggregate principal amount of senior unsecured notes outstanding and $260 million outstanding under our receivables-backed facility at December 31, 2011.

We have pledged substantially all of our assets (including the assets of our subsidiaries) to secure our indebtedness. Our debt level and related debt service obligations:

- Require us to dedicate significant cash flow to the payment of principal and interest on our debt, which reduces the funds we have available for other purposes;
- May limit our flexibility in planning for or reacting to changes in our business and market conditions or funding our strategic growth plan;
- Impose on us additional financial and operational restrictions;
- Expose us to interest rate risk since a portion of our debt obligations is at variable rates; and
- Restrict our ability to fund acquisitions.

In addition, investors may be apprehensive about investing in companies such as ours that carry a substantial amount of leverage on their balance sheets, and this apprehension may adversely affect the price of our common stock.

Under our senior secured credit facility, we are required to maintain certain financial covenants, including, but not limited to, maximum senior secured leverage, maximum leverage and minimum interest coverage ratios, each as defined under and calculated in accordance with the terms of our senior credit facility and receivables-backed facility. As of December 31, 2011, our maximum permitted leverage ratio was 5.75 times consolidated funded indebtedness to consolidated EBITDA for the prior four consecutive quarters. As of December 31, 2011, our leverage ratio was 4.64 times. The maximum permitted leverage ratio under both the senior secured credit facility and the receivables-backed facility will decline to 5.50 times as of March 31, 2012. Failure to comply with the financial covenants, or any other non-financial or restrictive covenant, could create a default under our senior secured credit facility and under our receivables-backed facility. Upon a default, our lenders could accelerate the indebtedness under the facilities, foreclose against their collateral or seek other remedies, which would jeopardize our ability to continue our current operations. We may be required to amend our credit facility, refinance all or part of our existing debt, sell assets, incur additional indebtedness or raise equity. Further, based upon our actual performance levels, our senior secured leverage ratio, leverage ratio and minimum interest coverage ratio requirements or other financial covenants could limit our ability to incur additional debt, which could hinder our ability to execute our current business strategy.

Throughout 2011, Fresh Dairy Direct experienced significant pricing pressures from our retail customers, as well as volume declines, and despite improved operating profit performance from our other segments and continued cost reductions, our overall operating profitability decreased. Our ability to make scheduled payments on our debt and other financial obligations and comply with financial covenants depends on our financial and operating performance. Our financial and operating performance will continue to be subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control.

Table of Contents

Our ability to maintain an adequate level of liquidity in the future is dependent on our ability to renew our receivables-backed facility annually. See Part II Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Current Debt Obligations below for more information.

The Costs of Providing Employee Benefits Have Escalated, and Liabilities Under Certain Plans May be Triggered Due to Our Actions or the Actions of Others, Which May Adversely Affect Our Profitability and Liquidity.

We sponsor various defined benefit and defined contribution retirement plans, as well as contribute to various multiemployer plans on behalf of our employees. Changes in interest rates or in the market value of plan assets could affect the funded status of our pension plans. This could cause volatility in our benefits costs and increase future funding requirements of our plans. Pension and post-retirement costs also may be significantly affected by changes in key actuarial assumptions including anticipated rates of return on plan assets and the discount rates used in determining the projected benefit obligation and annual periodic pension costs. Recent changes in federal laws require plan sponsors to eliminate, over defined time periods, the underfunded status of plans that are subject to ERISA rules and regulations. In addition, turmoil in the financial markets in recent years brought significant declines in the fair market value of the equity and debt instruments that we hold within our defined benefit master trust to settle future defined benefit plan obligations. Our funded status as of December 31, 2011 decreased by $23.0 million from the prior year end and is still $78.6 million lower than our funded status at December 31, 2007, which was prior to the 2008 global financial crisis. A significant increase in future funding requirements could have a negative impact on our results of operations, financial condition and cash flows.

Certain of our defined benefit retirement plans, as well as many of the multiemployer plans in which we participate, are less than fully funded. Facility closings may trigger cash payments or previously unrecognized obligations under our defined benefit retirement plans or multiemployer plans. In addition, certain actions or the financial condition of other companies which participate in multiemployer plans may create financial obligations for us, which circumstances are entirely out of our control. Future funding requirements, and related charges, associated with multiemployer plans in which we participate could have a negative impact on our results of operations, financial condition and cash flows.

The Continued Economic Decline May Adversely Impact Our Business and Results of Operations.

The dairy industry is sensitive to changes in international, national and local general economic conditions. The continued economic decline has had an adverse effect on consumer spending patterns. High levels of unemployment, high consumer debt levels and other unfavorable economic factors could further adversely affect consumer demand for products we sell or distribute, which in turn adversely affects our results of operations. There can be no assurance that consumers will return to historical spending patterns.

Changes in Our Credit Ratings May Have a Negative Impact on Our Future Financing Costs or the Availability of Capital.

Some of our debt is rated by Standard & Poor s, Moody s Investors Service, and Fitch Ratings, and there are a number of factors beyond our control with respect to these ratings. Our credit ratings are currently considered to be below investment grade. Although the interest rate on our existing credit facilities is not affected by changes in our credit ratings, such ratings or any further rating downgrades may impair our ability to raise additional capital in the future on terms that are acceptable to us, may cause the value of our securities to decline and may have other negative implications with respect to our business. Ratings reflect only the views of the ratings agency issuing the rating, are not recommendations to buy, sell or hold our securities and may be subject to revision or withdrawal at any time by the ratings agency issuing the rating. Each rating should be evaluated independently of any other rating.

Impairment in the Carrying Value of Goodwill Has Negatively Impacted, and Future Goodwill Impairments Could Negatively Impact, Our Consolidated Results of Operations and Net Worth.

In the third quarter of 2011, as a result of an interim test of the goodwill of our Fresh Dairy Direct reporting unit, we concluded the implied fair value of our Fresh Dairy Direct goodwill was less than its carrying value. Accordingly, we recorded a $2.1 billion non-cash charge ($1.6 billion net of tax) in 2011 to reflect the impairment. As of December 31, 2011, on a consolidated basis, we had $1.2 billion of goodwill representing approximately 20% of our total assets, of which $87 million was associated with our Fresh Dairy Direct reporting unit, $600 million was associated with our WhiteWave reporting unit, $162 million was associated with our Alpro reporting unit and $306 million was associated with our Morningstar reporting unit. We record goodwill initially at fair value and review its fair value for impairment at least annually, as of December 1, or on an interim basis if impairment indicators, such as disruptions to the business, unexpected significant declines in operating performance or sustained market capitalization declines, are present.

We assessed each of our reporting units for impairment during the fourth quarter of 2011 in connection with our annual impairment test and concluded there was no goodwill impairment for our WhiteWave, Morningstar or Alpro reporting units and no additional goodwill impairment for our Fresh Dairy Direct reporting unit. We can provide no assurance that we will not have an impairment charge in future periods as a result of changes in our operating results.

Table of Contents

In assessing the fair value of our reporting units, we make estimates and assumptions about sales, growth rates, our cost of capital and discount rates based on budgets, business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management s judgment in applying these factors and different assumptions could result in goodwill impairment charges in the future, which could be substantial. Any such impairment would result in our recognizing a non-cash charge, which may adversely affect our results of operations.

Strategic Risks

We May Not Realize Anticipated Benefits from Our Cost Reduction Efforts as Expected.

We have implemented a number of cost reduction initiatives that we believe are necessary to position our business for future success and growth. Our future success and earnings growth depend upon our ability to achieve a lower cost structure and operate efficiently in the highly competitive food and beverage industry, particularly in an environment of increased competitive activity and reduced profitability. In order to capitalize on our cost reduction efforts, it will be necessary to carefully evaluate future investments in our business, and concentrate on those areas with the most potential return on investment. If we are unable to realize the anticipated benefits from our cost cutting efforts, we could become cost disadvantaged in the marketplace, and our competitiveness and our profitability could decrease.

Product, Supply Chain and Systems Risks

We Must Identify Changing Consumer Preferences and Develop and Offer Products to Meet Their Preferences.

Consumer preferences evolve over time and the success of our products depends on our ability to identify the tastes, dietary preferences and purchasing habits of consumers and to offer products that appeal to their preferences. Introduction of new products and product extensions requires significant development and marketing investment, and we may fail to realize anticipated returns on such investments due to lack of consumer acceptance of such products. Currently, we believe consumers are trending toward health and wellness beverages. Although we continue to invest in research and development in order to capitalize on this trend, there are currently several global companies with greater resources that compete with us in the health and wellness space. In addition, as consumers become increasingly aware of the environmental and social impacts of the products they purchase, their preferences and purchasing decisions may change. If our products fail to meet changing consumer preferences, the return on our investment in those areas will be less than anticipated and our product strategy may not succeed.

We May Experience Liabilities or Harm to Our Reputation as a Result of Product Issues, Such as Product Recalls.

We sell products for human consumption, which involves a number of risks. Product contamination, spoilage or other adulteration, product misbranding or product tampering could require us to recall products. We also may be subject to liability if our products or operations violate applicable laws or regulations or in the event our products cause injury, illness or death. In addition, we advertise our products and could be the target of claims relating to false or deceptive advertising under U.S. federal and state laws, including consumer protection statutes of some states. A significant product liability or other legal judgment against us or a widespread product recall may negatively impact our profitability. Even if a product liability or consumer fraud claim is unsuccessful or is not merited, the negative publicity surrounding such assertions regarding our products or processes could materially and adversely affect our reputation and brand image, particularly in categories such as fluid milk that have strong health and wellness credentials.

Table of Contents

Disruption of Our Supply Chain or Transportation Systems Could Adversely Affect Our Business.

Damage or disruption to our manufacturing or distribution capabilities due to weather, natural disaster, fire, terrorism, pandemic, strikes, the financial and/or operational instability of key suppliers, distributors, warehousing and transportation providers, or other reasons could impair our ability to manufacture or distribute our products. To the extent that we are unable, or it is not financially feasible, to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, there could be an adverse effect on our business and results of operations, and additional resources could be required to restore our supply chain. In addition, we are subject to federal motor carrier regulations, such as the Federal Motor Carrier Safety Act, with which our extensive DSD system must comply. Failure to comply with such regulations could result in our inability to deliver product to our customers in a timely manner, which could adversely affect our reputation and our results.

Our Business Operations Could be Disrupted if Our Information Technology Systems Fail to Perform Adequately or Experience a Security Breach.

We maintain a large database of confidential information in our information technology systems, including confidential employee and customer information. The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our business data, communications, supply chain, logistics, accounting and other business processes. If we do not allocate and effectively manage the resources necessary to build and sustain an appropriate technology infrastructure, our business or financial results could be negatively impacted. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including systems failures, viruses, security breaches or cyber incidents such as intentional cyber attacks aimed at theft of sensitive data or inadvertent cyber-security compromises. A security breach of such information could result in damage to our reputation, and could negatively impact our relations with our customers or employees. Any such damage or interruption could have a material adverse effect on our business.

Legal and Regulatory Risks

Pending Antitrust Lawsuits May have a Material Adverse Impact on Our Business.

We are the subject of several antitrust lawsuits, the outcome of which we are unable to predict. Increased scrutiny of the dairy industry has resulted, and may continue to result, in litigation against us. Such lawsuits are expensive to defend, divert management s attention, and may result in significant judgments. In some cases, these awards would be trebled by statute and successful plaintiffs might be entitled to an award of attorney s fees. Depending on its size, such a judgment could materially and adversely affect our results of operations, cash flows and financial condition and impair our ability to continue operations. We may not be able to pay such judgment or to post a bond for an appeal, given our financial condition and our available cash resources. In addition, depending on its size, failure to pay such a judgment or failure to post an appeal bond could cause us to breach certain provisions of our credit facilities. In either of these circumstances, we may seek a waiver of or amendment to the terms of our credit facilities, but there can be no assurance that such a waiver or amendment could be obtained. Failure to obtain such a waiver or amendment would materially and adversely affect our results of operations, cash flows and financial condition and could impair our ability to continue operations.

Moreover, these actions could expose us to negative publicity, which might adversely affect our brands, reputation and/or customer preference for our products. In addition, merger and acquisition activities are subject to these antitrust and competition laws, which have impacted, and may continue to impact, our ability to pursue strategic transactions.

The Dairy Industry in Which We Operate Has Been Subject to Increased Government Scrutiny Which Could Have an Adverse Impact on Our Business.

We are subject to antitrust and other competition laws in the United States and in the other countries in which we operate. We cannot predict how these laws or their interpretation, administration and enforcement will impact us. Throughout 2010 and 2011, the dairy industry was the subject of increased government scrutiny. In 2010, the Obama administration initiated a review of existing dairy policies in order to consider potential changes to those policies. In 2012, we expect re-authorization of the nation s farm bill, which is the primary tool regulating federal dairy policy. This federal and congressional review process, and legislative activity in connection with the farm bill, may result in changes to the dairy industry that we cannot anticipate or control and that may have a material adverse impact on our business.

Table of Contents

Litigation or Legal Proceedings Could Expose Us to Significant Liabilities and Have a Negative Impact on Our Reputation.

We are party to various litigation claims and legal proceedings. We evaluate these litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from our current assessments and estimates.

Labor Disputes Could Adversely Affect Us.

As of December 31, 2011, approximately 39% of Fresh Dairy Direct s, 26% of WhiteWave-Alpro s and 46% of Morningstar s employees participated in collective bargaining agreements. At any given time, we may face a number of union organizing drives. When we face union organizing drives, we and the union may disagree on important issues which, in turn, could possibly lead to a strike, work slowdown or other job actions at one or more of our locations. A strike, work slowdown or other labor unrest could in some cases impair our ability to supply our products to customers, which could result in reduced revenue and customer claims.

Our Business is Subject to Various Environmental Laws, Which May Increase Our Compliance Costs.

Our business operations are subject to numerous environmental and other air pollution control laws, including the federal Clean Air Act, the federal Clean Water Act, and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, as well as state and local statutes. These laws and regulations cover the discharge of pollutants, wastewater, and hazardous materials into the environment. In addition, various laws and regulations addressing climate change are being considered or implemented at the federal and state levels. New legislation, as well as current federal and other state regulatory initiatives relating to these environmental matters, could require us to replace equipment, install additional pollution controls, purchase various emission allowances or curtail operations. These costs could adversely affect our results of operations and financial condition.

Changes in Laws, Regulations and Accounting Standards, Including Those of Non-US Jurisdictions, Could Have an Adverse Effect on Our Financial Results.

We are subject to federal, state, local and foreign governmental laws and regulations, including those promulgated by the United States Food and Drug Administration, the United States Department of Agriculture, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and numerous related regulations promulgated by the Securities and Exchange Commission and the Financial Accounting Standards Board. Changes in federal, state or local laws, or the interpretations of such laws and regulations, may negatively impact our financial results or our ability to market our products. In addition, we have operations outside of the United States, which may present unique challenges and increase our exposure to the risks associated with foreign operations, including foreign currency risks and compliance with foreign rules and regulations. Any or all of these risks could adversely impact our financial results.

Item 1B. ***Unresolved Staff Comments***

None.

Table of Contents

Item 2. ***Properties***

Our corporate headquarters are located in leased premises at 2711 North Haskell Avenue, Suite 3400, Dallas, TX 75204. In addition, we operate more than 95 manufacturing facilities. Management believes that Dean Foods facilities are well maintained and are generally suitable and of sufficient capacity to support our current business operations and that the loss of any single facility would not have a material adverse effect on our operations or financial results. The following tables set forth, by business segment, our principal manufacturing facilities.

Fresh Dairy Direct

Fresh Dairy Direct currently conducts its manufacturing operations within the following 77 facilities, most of which are owned:

Homewood, Alabama(2)	New Orleans, Louisiana	Toledo, Ohio
Buena Park, California	Shreveport, Louisiana	Erie, Pennsylvania
City of Industry, California(2)	Bangor, Maine	Lansdale, Pennsylvania
Hayward, California	Franklin, Massachusetts	Lebanon, Pennsylvania
Riverside, California	Lynn, Massachusetts	Schuylkill Haven, Pennsylvania
Delta, Colorado	Mendon, Massachusetts	Sharpsville, Pennsylvania
Denver, Colorado	Evart, Michigan	Spartanburg, South Carolina
Englewood, Colorado	Grand Rapids, Michigan	Sioux Falls, South Dakota
Greeley, Colorado	Livonia, Michigan	Athens, Tennessee
Deland, Florida	Marquette, Michigan	Nashville, Tennessee(2)
Miami, Florida	Thief River Falls, Minnesota	Dallas, Texas(2)
Orlando, Florida	Woodbury, Minnesota	El Paso, Texas
Braselton, Georgia	Billings, Montana	Houston, Texas
Hilo, Hawaii	Great Falls, Montana	Lubbock, Texas
Honolulu, Hawaii	North Las Vegas, Nevada	McKinney, Texas
Boise, Idaho	Reno, Nevada	San Antonio, Texas
Belvidere, Illinois	Florence, New Jersey	Waco, Texas
Harvard, Illinois	Albuquerque, New Mexico	Orem, Utah
Huntley, Illinois	Rensselaer, New York	Salt Lake City, Utah
O Fallon, Illinois	High Point, North Carolina	Richmond, Virginia
Decatur, Indiana	Winston-Salem, North Carolina	Springfield, Virginia
Huntington, Indiana	Bismarck, North Dakota	Ashwaubenon, Wisconsin
Rochester, Indiana	Tulsa, Oklahoma	Sheboygan, Wisconsin
LeMars, Iowa	Marietta, Ohio	
Louisville, Kentucky	Springfield, Ohio	

The majority of Fresh Dairy Direct s manufacturing facilities also serve as distribution facilities. In addition, Fresh Dairy Direct has numerous distribution branches located across the country, some of which are owned but most of which are leased. Fresh Dairy Direct s headquarters are located within our corporate headquarters.

WhiteWave-Alpro

WhiteWave-Alpro currently conducts its manufacturing operations from the following 9 facilities, most of which are owned:

City of Industry, California	Dallas, Texas	Issenheim, France
Jacksonville, Florida	Mt. Crawford, Virginia	Landgraaf, Netherlands
Bridgeton, New Jersey	Wevelgem, Belgium	Kettering, United Kingdom

WhiteWave also owns two organic dairy farms located in Paul, Idaho and Kennedyville, Maryland. WhiteWave s headquarters and our research and development facility are located in leased premises in Broomfield, Colorado. Alpro s headquarters are located in leased premises in Gent, Belgium.

Table of Contents

Morningstar

Morningstar currently conducts its manufacturing operations within the following 12 facilities, most of which are owned:

Decatur, Alabama	Rockford, Illinois	Delhi, New York
Gustine, California	Murray, Kentucky	Friendship, New York
Tulare, California	Frederick, Maryland	Sulphur Springs, Texas(2)
Newington, Connecticut	White Bear Lake, Minnesota	

Morningstar s headquarters are located within our corporate headquarters.

Item 3. Legal Proceedings

We are not party to, nor are our properties the subject of, any material pending legal proceedings, other than as set forth below:

Tennessee Dairy Farmer Actions and Related Mississippi Action

We were named, along with several other defendants, in two putative class action antitrust complaints filed on July 5, 2007. The complaints were filed in the United States District Court for the Middle District of Tennessee, Columbia Division, and allege generally that we and others in the milk industry worked together to limit the price Southeastern dairy farmers are paid for their raw milk and to deny these farmers access to fluid Grade A milk processing facilities. Four additional putative class action complaints were filed in 2007 and 2008 in the United States District Court for the Eastern District of Tennessee, Greeneville Division. The allegations in these complaints are similar to those in the dairy farmer actions. All six of the class actions (collectively, the dairy farmer actions) were consolidated and were transferred to the Eastern District of Tennessee, Greeneville Division. Class certification in the dairy farmer actions was granted in September 2010.

On July 12, 2011, we entered into a settlement agreement with the class plaintiffs in the dairy farmer actions. On July 14, 2011, the United States District Court for the Eastern District of Tennessee granted preliminary approval of the class-wide settlement agreement and stayed the dairy farmer action with respect to the Company. Under the proposed settlement agreement, we agreed to pay a total of up to $140 million over a period of four to five years into a fund for distribution to dairy farmer class members in a number of Southeastern states.

On July 28, 2011, the Court issued an order partially decertifying the dairy farmer plaintiff class with which we had previously entered into the settlement agreement. The dairy farmer plaintiffs that were decertified from the class are, or were, members of the Dairy Farmers of America (DFA) co-operative. On August 1, 2011, the plaintiffs filed a motion asking the Court to re-consider its decertification order. The Court denied that motion on August 19, 2011. In order to pursue a final and certain resolution consistent with the terms of the settlement agreement, we filed a motion with the Court on August 5, 2011 to vacate preliminary approval of the settlement agreement, defer associated deadlines related to the settlement, and to clarify the role of class counsel in light of the Court s decertification order. The motion was granted by the Court and a Memorandum Opinion was issued on August 31, 2011. In the Memorandum Opinion, the Court stated that it would take the motion for preliminary approval of the settlement under advisement pending appointment of separate counsel and class representatives for the decertified DFA subclass.

In a separate order entered on October 5, 2011, the Court appointed separate interim counsel for the DFA subclass, and set preliminary deadlines for newly designated interim counsel to submit any motion for certification of a DFA subclass for settlement purposes and any motion to preliminarily approve the July 12, 2011 settlement agreement. On December 27, 2011, interim counsel for the putative DFA member subclass filed a motion to certify the DFA subclass for settlement purposes and to reinstate preliminary approval of the July 12, 2011 settlement agreement. Dean responded to the motion on January 17, 2012, and did not oppose the motion. On February 14, 2012, the Court granted preliminary approval of the settlement agreement, and set May 15, 2012 as the date to consider final approval of the agreement. Per the terms of the settlement agreement, on February 21, 2012 we made a payment of $60 million into an escrow account to be distributed following the Court s final approval, and issued a standby letter of credit in the amount of $80 million to support subsequent payments due under the agreement. The settlement agreement requires us to make a payment of up to $20 million on each of the following four anniversaries of the settlement agreement s final approval date. There can be no assurance that the settlement agreement will receive final approval in its current form, in another form that is acceptable to the Court and the parties, or at all.

In the second quarter of 2011, we recorded a $131.3 million charge and a corresponding liability for the present value of our obligations under the original settlement agreement, based on imputed interest computed at a rate of 4.77%, which approximates our like-term incremental fixed rate borrowing cost. We have continued to accrete interest related to this recorded liability as we believe a settlement of this matter is likely to occur under substantially similar financing terms.

On April 26, 2011, we, along with our Chief Executive Officer, Gregg Engles, and other defendants, were named in a putative class action lawsuit filed in the United States District Court for the Southern District of Mississippi, Hattiesburg Division. An amended complaint was filed in August 2011, which dropped the class action allegations. The allegations in the amended complaint are similar to those in the Tennessee dairy farmer actions. In addition, plaintiffs have alleged generally that defendants committed civil violations of the federal Racketeering Influenced and Corrupt Organizations Act (RICO), as well as common law fraud and tortious interference with contract. Plaintiffs are seeking treble damages for the alleged antitrust and RICO violations, and compensatory and consequential damages for the common law fraud and tortious interference claims. With respect to the antitrust allegations in the complaint, the plaintiffs proposed geographic market in the Mississippi action is ambiguous as to whether it is identical to the geographic market alleged in the Tennessee dairy farmer actions. In any event, Plaintiffs in the Mississippi action would likely also be included in any class or classes certified in the Tennessee dairy farmer actions. Members of any Tennessee class or classes who fail to exclude themselves from that class, or who excluded themselves but are permitted to opt back into any class for purposes of any settlement with us, will be bound by any settlement in the Tennessee dairy farmer actions when it is approved, which should release and extinguish any claims asserted by them in the Mississippi action. As of February 20, 2012, three Plaintiffs in the Mississippi action have not excluded themselves from the Tennessee dairy farmer actions.

On August 11, 2011, a motion to dismiss all of the claims was filed on behalf of Mr. Engles, and motions to dismiss all but the antitrust claims were filed on behalf of the company and the other defendants. Plaintiffs responded to those motions on October 4, 2011. On November 9, 2011, the Court granted the motion to dismiss filed on behalf of Mr. Engles, and granted in part and denied in part the motion to dismiss filed on behalf of the company. The company filed its answer on November 23, 2011. On February 17, 2012, the Company entered into a settlement agreement with all of the plaintiffs who have excluded themselves from the Tennessee dairy farmer actions pursuant to which all of the claims against the Company will be dismissed, and the Company s involvement as a party in the case will end.

Tennessee Retailer and Indirect Purchaser Actions

A putative class action antitrust complaint (the retailer action) was filed on August 9, 2007 in the United States District Court for the Eastern District of Tennessee. Plaintiffs allege generally that we, either acting alone or in conjunction with others in the milk industry who are also defendants in the retailer action, lessened competition in the Southeastern United States for the sale of processed fluid Grade A milk to retail outlets and other customers, and that the defendants conduct also artificially inflated wholesale prices for direct milk purchasers. Plaintiffs motion for class certification in the retailer action is still pending. Defendants motion for summary judgment in the retailer action was granted in part and denied in part in August 2010. Defendants filed a motion for reconsideration on September 10, 2010, and filed a supplemental motion for summary judgment as to the remaining claims on September 27, 2010. Those motions are currently pending before the Court, and the case has been stayed pending resolution of those motions. The Court has not set a trial date yet for the retailer action.

On June 29, 2009, another putative class action lawsuit was filed in the Eastern District of Tennessee, Greeneville Division, on behalf of indirect purchasers of processed fluid Grade A milk (the indirect purchaser action). The allegations in this complaint are similar to those in the retailer action, but primarily involve state law claims. Because the allegations in the indirect purchaser action substantially overlap with the allegations in the retailer action, the Court granted the parties joint motion to stay all proceedings in the indirect purchaser action pending the outcome of the summary judgment motions in the retailer action. At this time, we are unable to predict the ultimate outcome of these matters.

Kohler Mix Action

On January 18, 2008, our subsidiary, Kohler Mix Specialties, LLC (Kohler), was named as a defendant in a civil complaint filed in the Superior Court, Judicial District of Hartford. The plaintiff in the case was the Commissioner of Environmental Protection of the State of Connecticut. The complaint alleged generally that Kohler improperly discharged wastewater into the waters of the State of Connecticut, and bypassed certain wastewater treatment equipment in violation of certain Connecticut environmental regulations and Kohler s wastewater discharge permit. The plaintiff was seeking injunctive relief and civil penalties with respect to the claims. On August 24, 2011 the parties reached an agreement to settle the litigation. On January 11, 2012, a Stipulated Judgment was entered by the Court, thereby resolving the matter.

Other than the material pending legal proceedings set forth above, we are party from time to time to certain claims, litigations, audits and investigations. Potential liabilities associated with the other matters referred to in this paragraph are not expected to have a material adverse impact on our financial position, results of operations or cash flows.

Table of Contents

At this time, it is not possible for us to predict the ultimate outcome of the matters set forth within this section.

Other

We are in varying stages of discussion with numerous states to determine whether we have complied with state unclaimed property laws. Most, but not all, of these states have appointed an agent to conduct an examination of our books and records. In addition to seeking remittance of unclaimed property, some states may also seek interest and penalties. We settled the State of Delaware s claims during 2011. The settlement amount was not material to our Consolidated Financial Statements. At this time, it is not possible for us to predict the ultimate outcome of the remaining examinations.

Item 4. ***Mine Safety Disclosure***

Not applicable.

Table of Contents

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common stock trades on the New York Stock Exchange under the symbol DF. The following table sets forth the high and low closing sales prices of our common stock as quoted on the New York Stock Exchange for the last two fiscal years. At February 17, 2012, there were 4,091 record holders of our common stock.

	High	Low
2010:		
First Quarter	$ 18.53	$ 14.46
Second Quarter	16.89	9.57
Third Quarter	12.00	9.49
Fourth Quarter	10.80	7.26
2011:		
First Quarter	10.56	8.87
Second Quarter	13.88	9.68
Third Quarter	12.43	7.97
Fourth Quarter	11.21	8.30

We have not historically declared or paid a regular cash dividend on our common stock. We have no current plans to pay a cash dividend in the future.

See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Current Debt Obligations and Note 9 to our Consolidated Financial Statements for further information regarding the terms of our senior secured credit facility, including terms restricting the payment of dividends.

Stock Repurchases Since 1998, our Board of Directors has from time to time authorized the repurchase of our common stock up to an aggregate of $2.3 billion, excluding fees and expenses. We made no share repurchases in 2011 or 2010 and do not intend to make any repurchases for the foreseeable future. As of December 31, 2011, $218.7 million was available for repurchases under this program (excluding fees and commissions). Shares, when repurchased, are retired.

For information relating to securities authorized for issuance under our equity compensation plans, see Part III Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters of this Form 10-K.

Table of Contents

Item 6. ***Selected Financial Data***

The following selected financial data as of and for each of the five years in the period ended December 31, 2011 has been derived from our audited Consolidated Financial Statements. The selected financial data do not purport to indicate results of operations as of any future date or for any future period. The selected financial data should be read in conjunction with our Consolidated Financial Statements and related Notes.

	Year Ended December 31				
	2011	**2010**	**2009**	**2008**	**2007**
	(Dollars in thousands, except share data)				
Operating data:					
Net sales	$ 13,055,493	$ 12,122,887	$ 11,113,782	$ 12,361,311	$ 11,731,870
Cost of sales	10,037,907	9,116,965	8,008,561	9,438,593	9,015,216
Gross profit(1)	3,017,586	3,005,922	3,105,221	2,922,718	2,716,654
Operating costs and expenses:					
Selling and distribution	1,963,748	1,904,526	1,818,833	1,802,214	1,708,594
General and administrative	608,868	629,656	623,835	482,392	415,694
Amortization of intangibles	10,539	11,295	9,637		