

Made in Detroit

Customer Spotlight:

VernDale Products

If diamonds are a girl's best friend, chocolate has to be her favorite cousin.

More than 36 million heart-shaped boxes will be gifted to men and women this Valentine's Day, many filled with chocolate made with MMPA milk.

"We directly or indirectly supply most U.S. milk chocolate manufacturers with milk powder for their premium milk chocolate formulas. MMPA is one of our two largest milk suppliers; so many U.S. milk chocolate products are made with your members' milk," Dale Johnson, president of VernDale Products Inc., explains.

A third-generation, Michigan-based dairy business, VernDale Products has been buying MMPA milk for over 35 years and purchased over 34 million pounds in 2013.

Cashing in on Milk Returns

An industry leader in roller-dried (also called drum dried) whole milk powder for chocolate manufacturing, VernDale Products didn't start off in a premium market. In fact, they did quite the opposite.

When Dale's father, retired World War II Marine Vern Johnson, started the business in 1958 as a 50-50 partnership with his wife, Marlene, its business was recycling... milk that is. "My dad was the quintessential entrepreneur, wanting to build his own business from scratch. He grew up on a dairy farm and could never quite get away from the dairy industry," Dale relays. "He worked at creameries and dairy



The VernDale Products management team spans three generations. Pictured above, standing (left to right) Simon Jajjo, Matt Ellis, Derek Townsend, Tim Johnson, Kyle Tanheimer and Rich Perry and seated (left to right) Barry Johnson, Dale Johnson, LaMar Tanheimer and Fred Kreger.

plants, even married a plant owner's daughter, but was drawn to Detroit, filling a void in the marketplace: milk returns."

Back in 1958, milk had a one-day shelf life. After expiration, the many dairies of the 1950s had to find an outlet for unsold products. VernDale Products stepped in to fill the void, purchasing the abandoned power plant of the Budd Company in Detroit.

The company began as a reclaiming process, taking in one-day postdated milk from plants like Borden, Twin Pines and United Dairy and stabilizing the milk into whole milk powder for human and animal consumption.

In 1976, Dale graduated from Michigan State University and decided to join VernDale and work for the family business. Timing

couldn't have been better as Dale headed up the transition process, moving the plant from its original location on Atwater Street to its current venue – the abandoned Twin Pines Dairy plant on Lyndon Street in Detroit.

The Inferior to Premium Evolution

It's true, VernDale still receives rejected loads of milk and outdated dairy returns. Some people still refer to VernDale as "the dog food plant," but much has changed since 1958.

"Throughout the 1970s and 1980s, roller-dried whole milk powder was considered a cheap alternative to spray-dried whole milk powder. The drum dryer lowered production capacity and was more prone to scorching than spray-dried milk. But in the 1990s and 2000s, we repositioned ourselves as a premium, high-quality product

desired by chocolate manufacturers. We carved out our own niche market and became the country's largest manufacturer of roller-dried whole milk powder," Dale affirms.

What was once a reclaimed milk operation manufacturing 2 million pounds of whole milk powder with one drier is now a premier chocolate ingredient producer processing 16 million pounds of powder annually with four roller driers dedicated to food production and one dryer dedicated to feed production. The previously inferior roller-dried process is now considered a value-added, superior milk component by confectioners, used in premium chocolate formulas.

Roller-dried powder has a high free fat content which means manufacturers can use 3-4 percent less cocoa butter to achieve the ideal viscosity for milk chocolate. Since 15-20 percent of milk chocolate is whole milk powder, roller-dried milk powder gives chocolate manufacturers an economic advantage.

But what's more, VernDale's roller-dried powder has a sought-after, cooked and caramelized flavor that tastes like European chocolate. The company's customers range from industrial chocolate manufacturers to manufacturers selling retail products and include many popular premium chocolate household names.

While the food-grade, premium chocolate market is VernDale's primary business, it still manufactures feed-grade whole milk powder. "All the milk in Milk-Bone dog biscuits comes from our plant. We also provide feed-grade milk powder as an ingredient in other animal food products containing milk," Dale adds.

Against the Odds

The odds were stacked against VernDale from the start – 70

percent of family businesses fail or are sold before transitioning to the second generation.

But even though LaVerne Johnson, one of the company's founders, passed away last year, his legacy still remains. "We're proud to be a multi-generational family business that has grown from a small startup to a well-known national manufacturer set-up for long term sustainability," Dale smiles. "We've never been the cheapest roller-dried whole milk powder, but we've always been committed to quality, and I think that's one reason why we're still here."

The family business employs Dale Johnson; his brother, Barry Johnson; sister, LaMar Tannheimer; brother-in-law, Fred Kreger; and nephews. They are also grateful to have a hardworking, dedicated extended family of 40 employees.

"We appreciate working with MMPA because of the long-term business relationships we have developed over the years. They understand the needs of a family business like ours. When there's stability and consistency within an organization, it leads to mutually-beneficial interactions," Dale says.

Charting a Course for Growth

It's fitting since Dale set-up the current plant on Lyndon Street that he is also heading up the company's newest venture – investing \$16 million in a "new" dairy plant on Weaver Street, also in Detroit.

"It's exciting and terrifying at the same time. We have finished the demo phase and are finally above ground. In January we will begin installing new equipment and watching our plans materialize," Dale beams. "Starting with a clean slate, we used our 50-plus years of manufacturing experience to create a state-of-the-art facility employing the latest technology, including integrated touch screens.



Our current construction schedule has us up and running by July of this year."

Installing two new roller driers from Europe, the plant will produce 10 million pounds of powder annually. Both the new facility and the current plant will be operating in tandem; the Weaver plant will be dedicated to food production, while the Lyndon plant will continue to manufacture food-grade and feed-grade products. The new plant will provide a second source of supply for VernDale customers in case one plant has a problem.

"The expansion is really about looking 20 to 25 years down the road. We want to continue growing and developing new milk powder products to service our customers. We need to be big enough to meet our customers' growing demands, and we'll continue to develop where it all started: Detroit," Dale concludes.

VernDale Products Inc. is a multi-generational family dairy business, a proud Michigan company touting superior quality products and a business that has continuously grown and innovated.

Sometimes the stories of our customers aren't so different from the stories of our member farms, after all.