



Dear CROPP Cooperative Farmer/Member:

As a cooperative we are implementing for the first time a Mandatory Quota Program. We have completed the appeal process and wanted to clarify some of the components. It is clear that the cooperative membership supports the path of a mandatory reduction but the difficulty has been in determining the basis from which to reduce. We led a process to discuss the options at the Annual meeting, regional meetings, received lots of good input and ideas from members, used the DEC Supply Committee and the DEC to lead up to the final decision by the Board.

The Supply Committee realized that no matter which method we chose that some portions of the membership would be asked to reduce more than the goal and that an appeal process would be necessary to ensure fairness. Our goal was to reduce 7% from the average for the last 3 full years which based on our internal projections we approximated was a 9% reduction for the next 12 months.

The appeal process was designed to assure equitableness in the reduction for each farmer and was not about financial hardships, seniority, size of farm or personal situations. During the appeal process, the local field dairy coordinator made a recommendation and reviewed the appeal with me and got more information, if needed. I then made the determination on the appeals and allowed the field coordinator to challenge my determination. We then reviewed the methods and results with two Board members and presented the overall results to the Board. We feel that we did the best job we could to be both fair and to ensure that all farmers are being required to reduce 9% for the quota period.

In considering the appeals we reviewed the producer's history, projections, production plan from when joining the Cooperative, our internal forecast, recent production information and input from the local dairy coordinator. We read through the personal appeal and feel that our determination represents an even-handedness of all appeals and all members. It was largely a mathematical exercise to assure that all members share equally in the need to cut production. We have sent out the final Quota and now have a stable supply that cannot grow until markets increase and our inventory goes down. We are telling any members not happy with the results of the appeal that we will consider releasing them from membership so that they can go to another market.

We will not be able to go over each appeal with the individual members so we are offering them the opportunity to discuss the process in three group phone meetings.

We had a few producers who chose to dump their last shipment of milk in July, rather than reduce systematically over the month. This is extremely disruptive and costly to the Cooperative. We cannot alter routes to cater to individual requests to not pick up or to ship variable amounts. It is expected that you deliver milk on the regular pickup schedule and you cannot direct the milk hauler to not pick up your milk. If you choose to disrupt a normal pickup schedule then the Cooperative will consider termination of your membership.

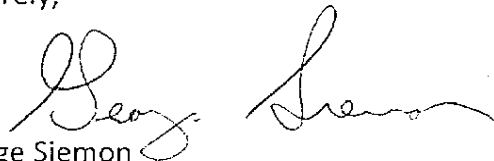
The Board has asked the Cooperative Committee and the DEC Standards Committee to consider a milk diversion policy. Currently, the membership agreement requires a member to ship all production with the Cooperative. Diversions have only been allowed with approval from the Cooperative. We will not allow any new diversions until a policy is approved. Diverting milk into other markets defies the purpose of this collective action to shrink the supply to answer the softening market. Diverting milk to your own markets is a bureaucratic headache for us and simply it is not the Cooperative's purpose to help members develop their own markets.

The organic dairy industry is going through serious challenges from low conventional milk, a recession, oversupply, damage by organic purists and misleading natural labels. Our supply reduction is a critical reaction to these colliding forces. It falls on CROPP Cooperative to hold the pay price at the level we have now and this reduction is one part of our strategy to maintain a sustainable pay price. It is critical that we all cooperate together and support what our membership driven process has decided.

In the long run we see organic dairy thriving and growing. We do not see relief in the short term as the economy will continue to suffer into next year. We will continue to study the market and our supply balance to determine whether this mandatory reduction will continue after the end of January 2010.

Developing this quota system has been difficult and will lay a foundation for future times when we face similar challenges. CROPP Cooperative has always been a learning organization and this is certainly a major learning journey. I have personally overseen this to make sure that these determinations are as fair as possible amongst all the members of the Cooperative. I thank you for your understanding and support of our great Cooperative.

Sincerely,

A handwritten signature in cursive script, appearing to read "George Siemon". The signature is written in black ink and is positioned above the printed name.

George Siemon  
CROPP Cooperative CEO