



National Dairy Producers Organization, Inc. “Contract with Producers”

TO: U.S. DAIRY PRODUCERS

As U.S. dairy producers, business owners, multi-generational farmers in America, as well as members of the board of directors of the National Dairy Producers Organization, Inc., we come to every dairy producer in America seeking your support of a national effort to organize the producer sector of the U.S. dairy industry. We have established and are committed to growing and funding a national organization that represents the needs and financial interests of all dairy producers in America.

We offer a viable business-oriented and profit driven alternative to the more than four decades of severe instability and losses that have to date resulted in the elimination of thousands of dairy producers nationwide. **Producer profitability is our number one priority and our number one responsibility.**

While change is never easy, it is time for every dairy producer to make a decision. Do you stay with the status quo or do you take full control of and responsibly for your financial future as well as the economic vitality of the vendor businesses that support the dairy industry, and the continued economic growth of your communities, your counties and your states who rely not only on your survival, but your ability to produce milk and get paid a profit for doing so.

The board of directors of the National Dairy Producers Organization, Inc. offers the following **“Contract with Producers,”** and stands committed to provide the necessary leadership, expertise and management team to ensure the success of each proposal in this contract, and says to every producer in the country, **“the time for decision is now, the time for action is today.”**

In keeping with our resolve to reach these goals in the shortest time possible, we the founding members of the board of directors of the National Dairy Producers Organization, Inc., make a solemn commitment to every producer in the United States of America and the entire dairy industry to rapidly move forward with organizing the entire producer sector as the first step toward accomplishing the following tasks:

- First -

We pledge to thoroughly and immediately review and study each of the issues that impact the price of milk paid to producers in order to determine and facilitate needed changes that may be required to reach our stated purpose of producer profitability, for now and in the future.

- Second -

Having determined what needs to be done, the National Dairy Producers Organization, Inc. will hire and manage qualified personnel, specialists and specific expertise as may be necessary to accomplish the goals of the organization, including the implementation or change of national policies, so as to accomplish the required work in the shortest possible time.

- Third -

We stand committed to work with and support organizations and their agendas who will likewise assist us in our efforts to reach these stated goals and who are willing and able to support the agenda of the National Dairy Producers Organization, Inc., keeping the financial interests and needs of producers as the prime motivation.



- Fourth -

We pledge to establish and maintain an effective communication network in keeping with the needs of producers across the country that will provide both the organization and the producers with a needed free flow of information in order to maximize the efforts of all parties.

- Fifth -

We are committed to influence changes and/or additions to the laws and policies governing the U.S. dairy industry so as to maximize producer profits, minimize government involvement, remove government assistance and provide for the smooth and easy market management of the industry.

- Sixth -

We agree to always maintain a strong spirit of cooperation with our partners in the dairy industry: co-ops, processors, retailers and the consumers of milk and milk products. We recognize them as vital to our own success and stand committed to shoulder our share of the responsibility and hereby commit our resources to work in harmony with these important partners as we push toward the realization of our goals and purposes.

- Seventh -

We agree to work closer than ever with political leaders, national organizations, national, state, county and city legislators across the country to expand the level of knowledge, communication and understanding amongst those parties who play such a vital role in the long-term health and vitality of the dairy industry; holding them and ourselves to the same high standards of support for and accountability to the U.S. dairy producers.

- Eighth-

We pledge to establish and maintain a much higher level of industry education, participation and understanding amongst the producers and all of the dairy industry, so as to foster maximum contribution to the greater good by all of the resources that exist within the dairy industry, thereby facilitating the growth of existing producers as well as the development of the NEXT GENERATION of dairy producers.

In consideration of the support of all U.S. dairy producers we commit to immediately begin the process of implementing the following 10 changes within the dairy industry in support of the financial needs of dairy producers and the goals as have been set forth by the membership and board of directors of the National Dairy Producers Organization, Inc.

- 1. The National Dairy Producers Organization, Inc. supports working with any and all organizations throughout the country who truly demonstrate a concern for and the will to restore and maintain dairy producer profitability nationwide.**

We stand willing and able to support well-managed and effective programs that ensure dairy producer profitability and sustainability.



2. The National Dairy Producers Organization, Inc. will work to establish and/or assist in the establishment of a National Supply Management Program.

History has clearly and repeatedly demonstrated that there has never been market stability for producers in the dairy industry, nor will they ever reach or maintain producer profitability until there is a supply management plan in place that will effectively reduce volatility. The National Dairy Producers Organization Inc. supports the immediate implementation of a well-managed national supply management program focused on producer profitability and long-term sustainability.

3. The National Dairy Producers Organization, Inc. supports an overhaul of Price Discovery to better reflect the true value of milk on the farm.

The National Dairy Producers Organization, Inc. is committed to studying the various producer pay price discovery alternatives, to secure a permanent and improved change in how milk is priced on the farm. In our opinion, the existing CME system has not been a fair system for producers while processors and retailers have been allowed to earn substantial profits in stark contrast to the record losses recorded by most dairy producers.

The National Dairy Producers Organization, Inc. stands steadfast with other producer organizations in support of retaining the current method of calculating the Class I Mover which uses the ‘higher of’ the Advanced Class III or IV price calculated by product price formulas.

4. The National Dairy Producers Organization, Inc. supports immediate federal legislation to further regulate the importation of milk and milk products, including Milk Protein Concentrates (MPCs) that might prove detrimental to producer profitability.

The National Dairy Producers Organization, Inc. will work to correct deceptive milk importing practices that dramatically impact the value of milk produced domestically. The continued importation of concentrated milk products and ingredients have displaced the use of U.S. domestic production by as much as 10 percent. These practices have created oversupply issues that have had a dramatically negative impact on the value of all domestic milk. As a result, U.S. producers are penalized for the oversupply of raw milk.

5. The National Dairy Producers Organization, Inc. will seek improved legislation for “Country of Origin Labeling (COOL),” “100% American” labeling and improvement of U.S. inspection standards as important tools to ensure FOOD SAFETY as it relates to milk imports intended for U.S. consumers.

Most, if not all imported items, require country of origin labeling, so why not dairy products? From the producer perspective we should not allow milk protein concentrates to be imported into the country which are then used in the production of “American cheese.” Loose or non-existent standards provide a free pass on country of origin labeling on all dairy products imported into the United States.

The National Dairy Producers Organization, Inc. calls upon the Congress of the United States to enact mandatory country of origin labeling policies for all dairy products being imported into the United States, which identifies product origin and classifies for import tariff purposes, milk products, milk components, and/or other milk ingredients, including milk protein concentrates, casein, caseinates, starters and mixed milk products, etc.



6. The National Dairy Producers Organization, Inc. will seek legislation to improve Grade A Milk Standards from the current 750,000 Somatic Cell Count (SCC) level to a 400,000 count.

This important change is not only needed to match standards that have been set by world marketers, but should be addressed because it will provide consumers with a more flavorful and healthy milk product. There are however, material costs involved in producing high quality, low bacteria raw milk.

The National Dairy Producers Organization, Inc. is not only in favor of adopting the 400,000 SCC standard, but will develop a plan for paying producers more money for their milk to compensate them for the increased costs that must be invested to ensure that the entire country participates in producing cleaner and healthier milk.

7. The National Dairy Producers Organization, Inc. supports the continuation and the expansion of the exportation of U.S. milk and milk products that actually provide a profit to U.S. dairy producers.

The National Dairy Producers Organization, Inc. supports and will seek methods to improve or establish producer profitability from the exportation of U.S. dairy products.

While we are in full support of expanding our ability to meet a growing world demand for milk and milk products—certainly American producers could and would produce all the milk the world needs. However, recent history has shown that producer profitability never precedes the words “dairy exports.” All U.S. producers are in favor of “Profitable Dairy Exports”.

8. The National Dairy Producers Organization, Inc. supports the reform of or elimination of the processor “Make Allowance.”

The processor “Make Allowance,” which is sometimes referred to as a “processor guaranteed profit,” has been acknowledged as one reason for the over production of dairy products, which are eventually sold through domestic or export markets at low prices. Of equal concern is that over production has now fostered the need to subsidize export transactions with producer funds just to enhance sales and to promote increased product disappearance.

9. The National Dairy Producers Organization, Inc. will pursue the return of the 8.7 percent and 3.5 butterfat milk standard for all U.S. milk.

These recommended standards return the milk standard to what most cows naturally produce. Processors have enjoyed the profit from harvesting milk components from naturally produced milk and diverting those components into other manufactured milk products, reducing the milk quality sold to consumers thereby adding to the surplus of other dairy products. Under the current system processors gain direct benefit and extra profit at the direct expense of dairy producers.



10. The National Dairy Producers Organization, Inc. supports the immediate review of government subsidies and protective tariffs currently in place that artificially support the production and blending of ethanol in the United States.

Current U.S. fiscal policies have made our dollar weaker, allowing U.S. grain to be more easily exported at a time when Russia and China have become big players in the grain markets. Combine these conditions with the current U.S. energy policy which subsidizes the production and blending of ethanol at a higher rate than ever before. The dairy industry has become an unintended victim due to the dramatic impact on grain prices, speculative or otherwise, that have occurred in the past six months.

It is critical that producers understand that the list of issues that need attention does not end with the “Top 10” that have been addressed in this **“Contract with Producers.”** The board of directors of the National Dairy Producers Organization, Inc. and members have identified 20 issues that have been placed on our working agenda.

We have identified these “Top 10” issues and have placed them in our “Contract with Producers” so as to affix a starting point for all producers to see, learn of and decision this plan together. These issues have also been given “Top 10” status due to their overall impact on current conditions in the dairy industry, especially as they relate to the financial needs of dairy producers.

We are committed to resolve these “Top 10” issues in the shortest time possible, as each of them provides an important piece to the puzzle that must come together if we are to reach our goal of long-term producer profitability and sustainability.

We are well aware that higher input prices will continue to impact producer operations from almost every source imaginable. Producers must have a plan and a management team in place working specifically for producers to achieve long-term profitability, stability and growth. We advocate that the most intelligent solution is for every U.S. dairy producer to support a national organization that is working every day to ensure producers receive their fair share of every retail dollar, while working hand-in-hand with each of our partners in the U.S. dairy industry.



**The National Dairy Producers Organization, Inc.
Additional board and member generated issues seeking resolution**

The following list comprises 10 additional issues that will be addressed and resolved to the best of our ability by the governing board of The National Dairy Producers Organization, Inc. as we move forward with the assistance and support of our membership and in concert with ever-changing market demand and conditions.

- 11. The National Dairy Producers Organization, Inc. supports stricter enforcement of the Pasteurized Milk Ordinance.**
- 12. The National Dairy Producers Organization, Inc. supports a producer funded and operated charitable food program as part of a comprehensive national supply management program.**
- 13. The National Dairy Producers Organization, Inc. supports compliance standards regarding animal care and the ethical treatment of animals.**
- 14. The National Dairy Producers Organization, Inc. supports immediate dialog to review Producer Funded Assessments in order to provide a more direct benefit to producers.**
- 15. The National Dairy Producers Organization, Inc. supports every effort to minimize government involvement in the U.S. dairy industry, thus making the whole industry more self-reliant and self-regulated.**
- 16. The National Dairy Producers Organization, Inc. supports proper labeling and accurate promotion of all dairy products and will take steps to stop the improper promotion of non-dairy products.**
- 17. The National Dairy Producers Organization, Inc. supports needed effort as may be required to assist in local and regional issues affecting dairy producers.**
- 18. The National Dairy Producers Organization, Inc. OPPOSES block voting within dairy organizations and will take steps to secure a one-producer, one vote process.**
- 19. The National Dairy Producers Organization, Inc. supports a .15/cwt assessment on all imported gross milk equivalents paid to a producer controlled fund.**
- 20. The National Dairy Producers Organization, Inc. supports the reduction of the national dairy herd through beef breeding, Johnes eradication, a producer funded cow cull program, and will work to provide other producer/compliance incentives as part of a comprehensive national supply management program.**



In Conclusion

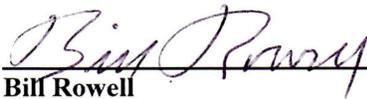
We are confident that over time some issues will fade into insignificance and others will rise to the level of major concern. But we remain steadfast in the knowledge that the members and the board of directors of the National Dairy Producers Organization, Inc. possess the will, the skills and the determination to resolve these and every issue as they are brought forward by the board, the members or changing market conditions.

Rooted in this knowledge and our own determination, we the board of directors of the National Dairy Producers Organization, Inc. offer this "Contract with Producers" for the study, the review and ultimately the support of every dairy producer in the United States, and commit on behalf of the membership and ourselves to do everything in our power to bring to reality the solutions offered in this document.

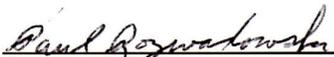
In doing so we respectfully ask for the same level of commitment from every dairy producer in America to do their part; to learn, to listen and then decision their own acceptance and support of this contract, so that from their support and collective membership the whole industry can survive and prosper together.

Sincerely,

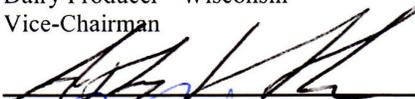
The board of directors for the National Dairy Producers Organization, Inc.



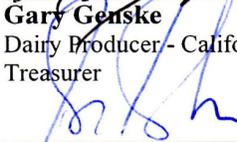
Bill Rowell
Dairy Producer - Vermont
Chairman of the Board



Paul Rozwadowski
Dairy Producer - Wisconsin
Vice-Chairman



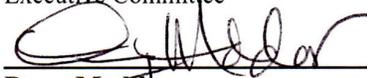
Gary Genske
Dairy Producer - California
Treasurer



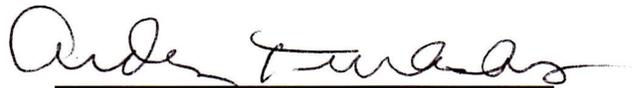
Anthony Loken
Dairy Producer - Minnesota
Secretary



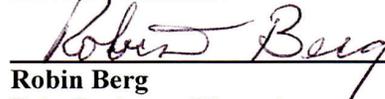
Pete DeHaan
Dairy Producer - Oregon
Executive Committee



Doug Maddox
Dairy Producer - California
Executive Committee



Arden Tewksbury
Dairy Producer - Pennsylvania
Executive Committee



Robin Berg
Dairy Producer - Wisconsin



Dave Fitch
Dairy Producer - New York



Pete Hoekstra
Dairy Producer - Texas



Robert Krucker
Dairy Producer - Idaho



Dennis Trissel
Dairy Producer - Virginia



Loren Olson
Dairy Producer - Minnesota