



# TAKE STOCK

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3Q:2009

## Financial update

CROPP Cooperative reported revenue of \$384,342,771 for the first three quarters of 2009. This represents a 1.6% decrease of revenue which was \$390,552,659 for the first three quarters of 2008. We attribute this decrease in sales to the economic slowdown and corresponding reduction in consumer spending.

Our net income for the first three quarters of 2009 was \$2,760,419, which was higher than the loss of \$3,038,536 for the first three quarters of 2008.

The oversupply of organic milk limited our profitability for the first three quarters of 2009. Continued historic low

prices for conventional (non-organic) milk combined with the Cooperative's higher than expected sales to the conventional dairy market (due to oversupply) were the main factors contributing to lower than budgeted net income.

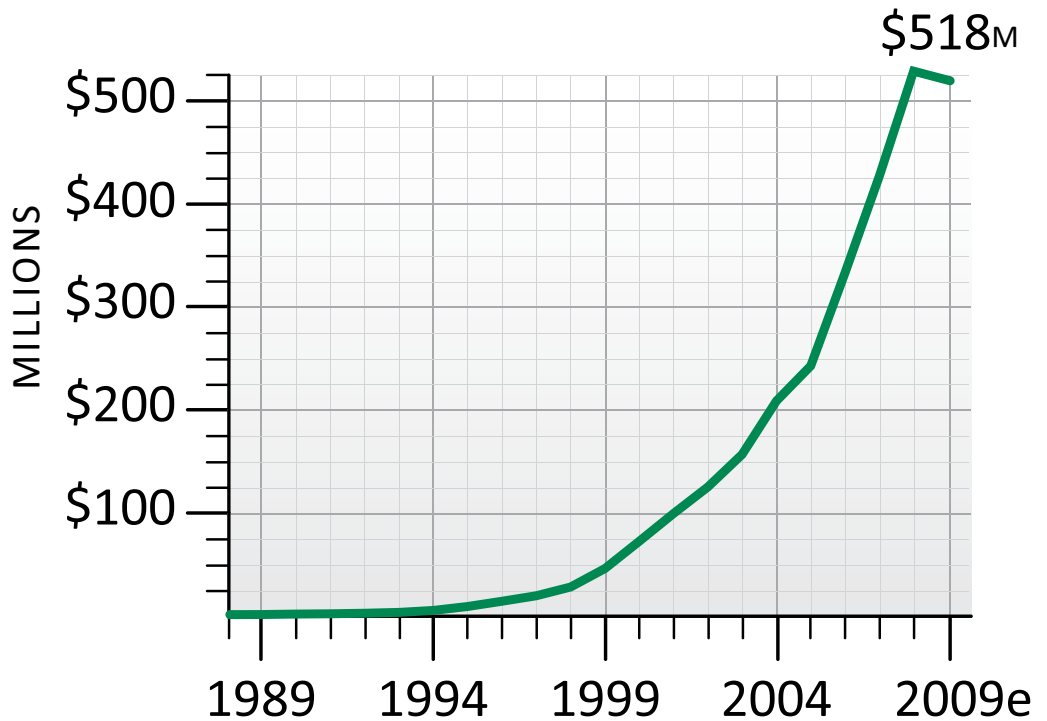
We expect lingering effects of the recession through the end of the year along with reduced demand for organic dairy products. The Cooperative's supply-reduction program has been implemented and is expected to bring supply and demand in balance thus reducing the need for sales to the conventional dairy market. We anticipate ending the year with a small profit and are forecasting sales to be relatively flat.



### OUR MISSION

The purpose of the Cooperative Regions of Organic Producer Pools is to create and operate a marketing cooperative that promotes regional farm diversity and economic stability by the means of organic agricultural methods and the sale of certified organic products.

## CROPP REVENUE



The statements in this investor newsletter that are forward-looking involve numerous risks and uncertainties and are based on current expectations. The reader should not place undue reliance on these statements. Actual results could differ materially from those anticipated.

## Organic Valley farmers experiment with making biodiesel, feed meal

GAYS MILLS, Wis. Jake Wedeberg and his brother, John, like the idea of producing some of their own biodiesel fuel for their four diesel tractors and protein meal for use in feed for the 43 dairy cows on the Wedeberg farm near Gays Mills.

They're among six Organic Valley member farms in southwest Wisconsin participating in a test of a mobile biodiesel system that the organic farmer cooperative finished putting together last year.

Housed in a trailer, the system was displayed and demonstrated last year at several events, including the Vernon County Fair and the Kickapoo Country Fair. Demonstrations were given this year at nine regional meetings for Organic Valley members in Wisconsin, Minnesota and Iowa.

The system is being used to process oilseeds—including camelina, flax, sunflowers and soybeans—at the six participating farms. "But we're willing to try any type of oilseed crop," said Zach Biermann, Organic Valley's biodiesel coordinator.



Sunflowers have an exceptionally high oil yield.

This year, the Wedebergs raised 11 acres of sunflowers and four acres of flax for processing into biodiesel and protein meal. They work well with the equipment farmers already use and are easy to grow, Jake said. The Wedebergs are using a conventional combine to harvest the two crops.

Earlier this fall, the Wedebergs were using the system to process sunflower seeds they harvested last year. "It's really easy to do on your farm," Jake said.

The study involving the six farms began earlier this year and will continue into next summer. It will determine how many farms are needed to support each portable system.

In the future, it's possible small groups of farmers within Organic Valley would buy a portable system for their group, Biermann said. That would be less expensive than each farm buying its own system.

The trailer contains equipment needed to extract, filter and turn the oil into biodiesel, which is thinner than oil, and to separate feed meal. The system can produce about 100 gallons of oil a day, which takes about 2,000 pounds of seeds. That also will produce about 1,200 pounds of protein meal for livestock.

An acre of sunflowers can produce up to 100 gallons of biodiesel.

"I like the idea of making biodiesel that works on the farm" to fuel tractors and other equipment, Wedeberg said. "It's really easy to produce on your farm."

He is involved in the project in order to practice sustainable agriculture, as a hedge against rising fuel costs and as a source of livestock feed.

Wedeberg will blend the biodiesel with conventional diesel fuel for use in his four diesel tractors, or run them on 100 percent biodiesel, which he has done before. He has been using biodiesel in his tractors for about five years, buying some of it through Organic Valley and making some himself using other equipment.

Previously published as an Oct. 11, 2009 story by Steve Cahalan, La Crosse (Wis.) Tribune



### A MESSAGE FROM THE CEIEIO



## Crisis in dairy farmer world: Organic and non-organic

The economic side of being a dairy farmer is very frustrating! First and foremost, the pay price that defines the gross income of the dairy farmer is not connected to cost of production. Second, the pay price goes up and down beyond logic. Imagine, the conventional dairy farmer does not know what he is making until the check arrives in the mailbox. Today, the economic crisis has resulted in low global export sales hence we have an over-production of milk. The pay price of milk to conventional dairy farmers is at a thirty-year low. As many as 20,000 family dairy farmers are expected to leave the dairy sector during this crisis.

The conversion to organic dairy has been a lifeline for many conventional farmers. But

like many businesses, dairy supply and demand fluctuates depending on the market, the seasons and the weather, too! In our 20-year history, supply has fluctuated many times between too much milk and not enough milk to keep up with the growing market. Around 2004, organic milk became short for an extended period as organic dairy experienced double-digit growth. During the tight supply situation, many new competitors entered into the organic dairy marketplace. These new players procured large quantities of organic milk as it seemed at that time that the market would continue its dramatic growth.

This era should be called the "organic dairy gold rush." The new competition caused high prices. Then, just as the recession set in, the organic dairy supply was over-stimulated and this era came to an end. The recession had an immediate impact on the organic dairy market which dropped from a 25% growth rate down to 0%.

Exacerbating the situation, the non-organic conventional dairy pay price hit a 30-year low and has stayed there for an extended period.

The conventional dairy farmer is losing money as never before with grain cost being held high due to the new ethanol market. This low farm pay price brought the retail price of conventional milk to an all-time low resulting in an organic premium three times that of conventional. This wide gap has contributed to the slowing of organic dairy sales.

As a cooperative we are reacting to the situation from a community perspective and our farmer-owners, farmer Board of Directors, and Management Team are taking cooperative measures to manage supply. We feel it is critical to keep all of our family farms on the land farming organically. We are all cutting back together so we can maintain our sustainable pay price and not leave any of our farmers stranded.

All organic dairy producers are challenged as we deal with this "perfect storm." The farmer-owners of CROPP Cooperative are being very cooperative in working with supply management. Today, cooperation is the most important value we can hold dear as we face this challenge together.



Organic Valley dairy farmers Chris and Tara Hoffner, Rowan County, North Carolina.

## Overdosing, organic, and Oprah Winfrey in North Carolina

The reasons why conventional farmers transition to organic are many, but one in particular prevails. From their 620-acre family farm in North Carolina, Chris and Tara Hoffner's story is as fresh in their minds as the first time they told it.

Chris remembers the date exactly, the morning of December 27th, 1995, that he put out a load of feed for his Holstein cows. "Within the hour, I had one hundred animals on the ground trying to die," Chris says. He called the vet immediately, who happened to have enough antidote on the truck to treat most of the cows. The fire department came out, neighbors showed up, and folks pitched in, holding IV bags for the downed and struggling animals. Still, 13 of the cows died outright that day, and they lost many more in the aftermath.

The culprit was Furidan, a highly toxic pesticide commonly used on corn and alfalfa to kill weevils among other things. Chris discovered the source when he found an empty jug of the mix that had gotten into the big feed mixing bin that's a fixture beside most barns. "I mean the container was *empty*, bone dry," Chris says. "The scariest thing is, I almost used that load of feed the previous night. If I had, the whole herd would have died. We quit using that stuff totally. I don't want my cows getting near anything like that."

Chris has always farmed because he knew that's what he wanted to do. He graduated North Carolina State University with a degree in Agricultural Business, and a newfound relation-

ship with Tara. Though it was her first semester there and his last, they managed to keep hold of each other and eventually married. Tara was familiar with the farm lifestyle since her granddad had a farm when she was growing up. Today she laughs at that. "I think the silliest thing I ever did was learn how to milk and drive a tractor!" She is often called upon to pitch in.

By the time 2004 rolled in, losses and debt were taking their toll. Chris figured he had three options: get big, get out, or do something different. The idea of getting out made him sick. "I'm the third generation on this farm," Chris says. "I was not going to be the one to lose it." About that time they got a letter from Organic Valley asking if they thought organic dairy would work in their area. Chris thought, *no way*. But he went to a meeting anyway of other farmers in the region and once he got more information, he thought *heck yes, we could do this!* The Hoffner's had already been rotational grazing since the early 90's. "Truth is," Chris says, "my parents had already been pushing towards organic."

And Tara feels safer without all those chemicals in her home environment. "When I drive to town and pass somebody spraying their fields, I roll up my windows, turn off the ventilation, and hold my breath until I get past. I think we're going to have a big backlash against all the stuff we've been doing to our world."

Chris says it took his granddad a little longer to come around to organic. "But now that they're getting more exposure to it in society in general and seeing it on Oprah, they're more comfortable with it. Some farmers think we're crazy and we're going to have nothing but weeds, but when I go to town and hear from the consumers, they're all for it. They want organic."



## Did you know...?

A few snippets from The Organic Center's 'Core Truths' 2006 research compilation:

### Facts About Pesticides

Today, there are 180 pesticides on the list of pesticides known to be endocrine disruptors, accounting for over half of the pesticides applied in the U.S. and globally.

### Pesticides and Human Health

A team of researchers in Korea have shown that chronic, low-level exposures to atrazine—the second most heavily used herbicide in the U.S.—in rats can lead to insulin resistance, obesity and heightened risk of diabetes.

### Hormones in Food

Since the mid-1990's, milking cows on most conventional dairy farms have been given six or more hormone injections annually to improve the success rate of artificial insemination. Little research has been conducted on the consequences for human health.

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## Harvest Moon Squash Soup

*Fill your basket with the season's harvest and warm up to a farm fresh favorite soup!*

**PREP TIME:** approximately 1 hour

**YIELD:** 4 servings

### INGREDIENTS

- |  |   |
|--|---|
| 1/2 medium onion, chopped  | 1/2 teaspoon curry powder<br>(or to taste)                                    |
| 1/4 cup shallots, minced   | water (as needed for thinning soup)   |
| 1 cup carrots, grated  | 2 cups low-salt chicken broth<br>(organic, can substitute<br>vegetable broth) |
| 3 cups butternut squash, seeded, peeled,<br>and cut into 1 inch pieces   |   |
| 1 tablespoon Organic Valley Salted Butter                                |   |
| 1/2 bay leaf (remove prior to service)                                   |   |
| 1 large apple (Granny Smith or tart baking<br>apple, peeled and chopped) |   |

### INSTRUCTIONS

In a heavy saucepan, over medium heat, saute onion, shallots, grated carrots, and bay leaf in butter, until veggies are softened. Add the (seeded, peeled and chopped) squash and apple, low-salt chicken broth, and 1/2 cup of water.

Add curry, salt and pepper to taste. Simmer for 45 minutes, or until squash is tender.

In a blender (or use a hand blender) puree the soup in batches, transferring pureed soup to a clean saucepan, and add enough additional water to thin soup to desired consistency.

### SERVING SUGGESTION

Dollop with Organic Valley Sour Cream and give thanks for the harvest!

Visit [www.organicvalley.coop](http://www.organicvalley.coop) for nutrition info on this and other fabulous recipes.



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