



**Exhibits of Pete Garbani**

**In Support of Proposal 1 of California Dairies, Inc.,  
Dairy Farmers of America, Inc., and Land O'Lakes, Inc.**

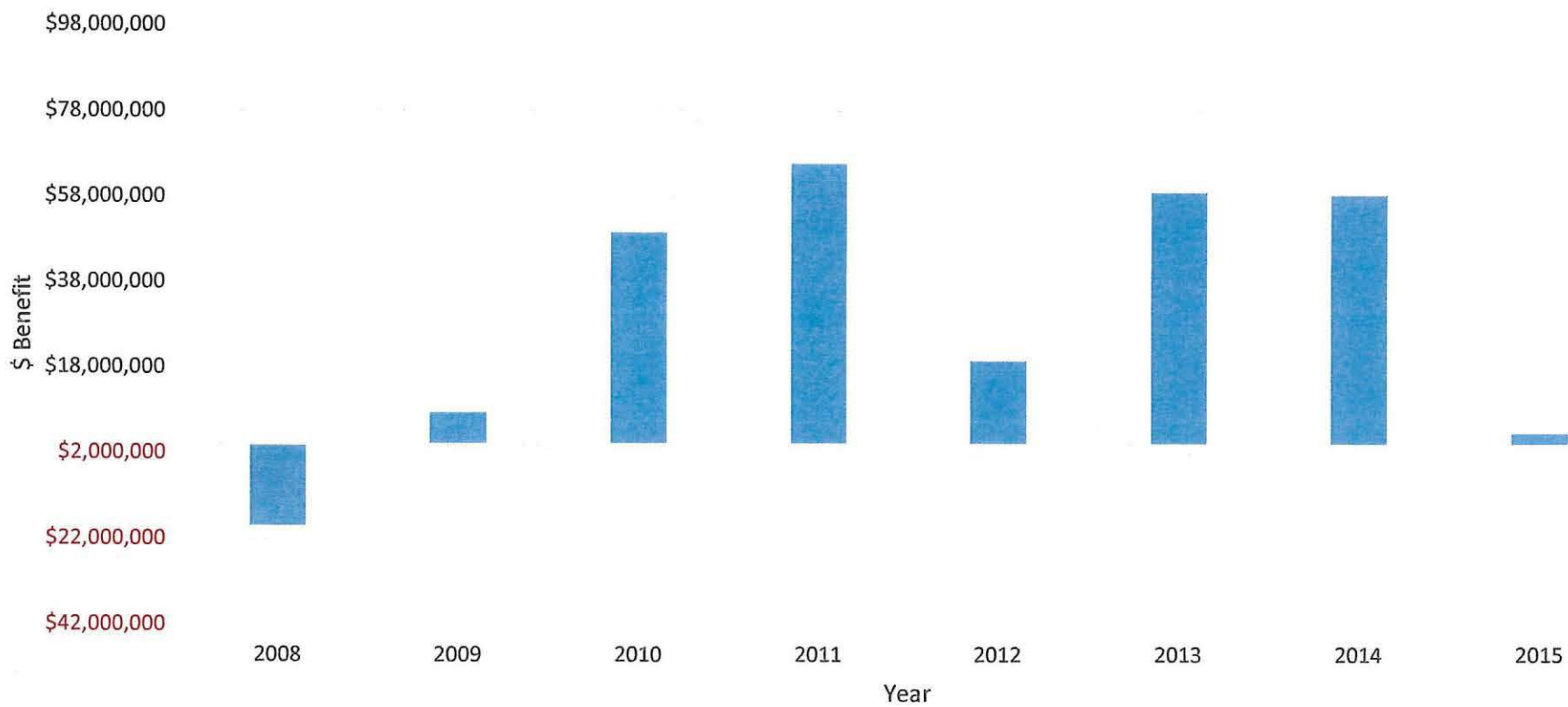
**Proposal to Establish a Federal Milk Marketing Order for the  
State of California**

<u>Exhibit</u>	<u>Title</u>
Graph 13.A	Class Price & CA Blend Price Comparison, 2008 - 2015
Graph 13.B	Estimated Hilmar Pool Draw, 2008 - 2015
Graph 13.C	Estimated Annual Hilmar Benefit based on CA Class 4b vs. FMMO III, 2008 - 2015
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Graph 13.F	Milk Production Index, Selected States and U.S. 2008 - 2014 (2008 = 100%)
Graph 13.G	Dairy Farm Numbers by State as a Percent of 2008 Levels, 2008 - 2014
Graph 13.H	2014 Selected States Margin / cwt
Graph 13.I	CDFA's COP Q4 - 2012
Graph 13.J	CDFA's Net Margin Q4 - 2012

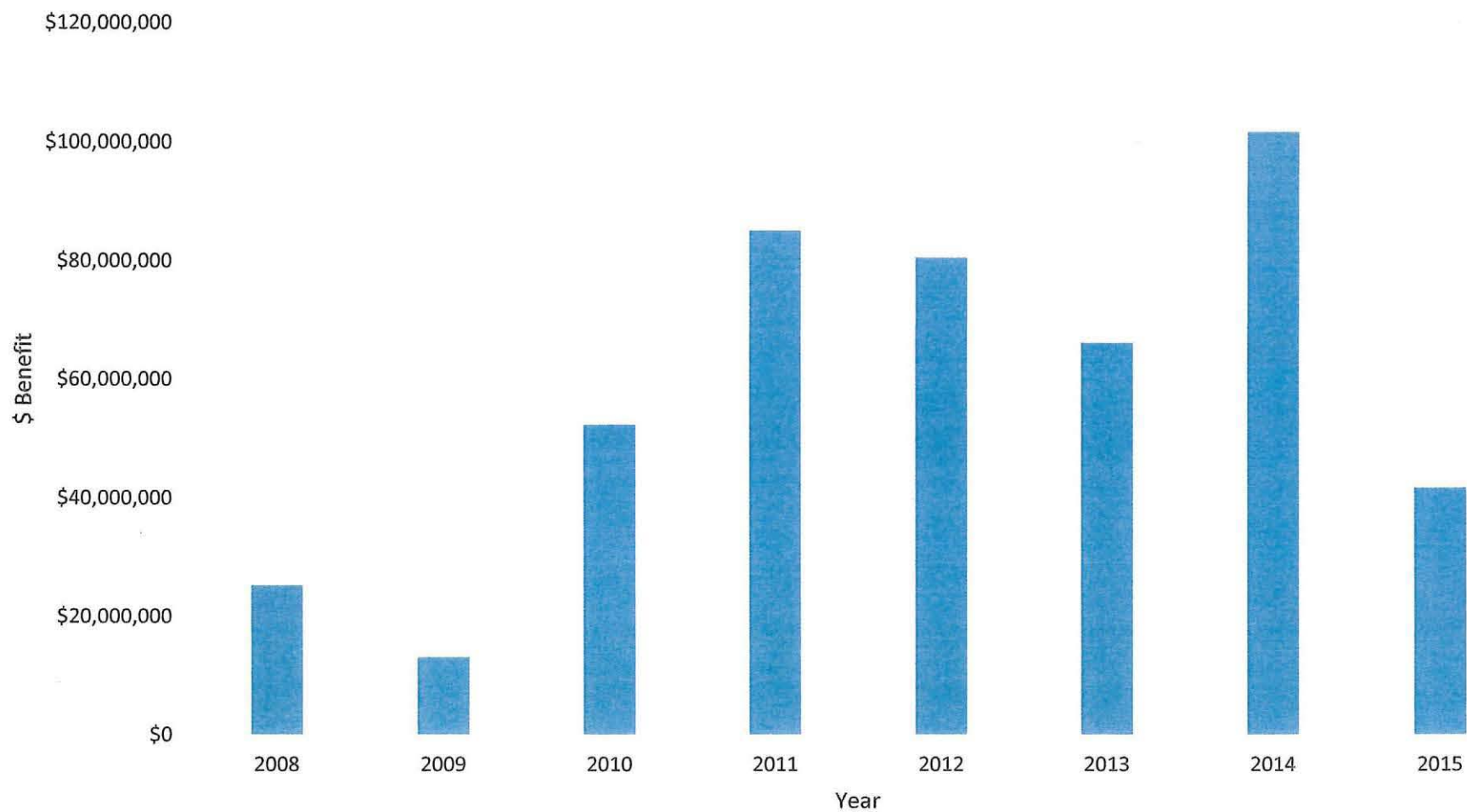
Cooperatives' Exhibit 13.A  
Class Price & CA Blend Price Comparison



### Cooperatives' Exhibit 13.B Estimated Hilmar Pool Draw, 2008-2015



Cooperatives' Exhibit 13.C  
Estimated Annual Hilmar Benefit based on CA Class 4b vs. FMMO III, 2008-2015



Cooperatives' Exhibit 13.D



October 18, 2007

Dear

Last month, we sent to our producers a letter explaining the state of the dairy industry and Hilmar Cheese Company's current position. In this letter, we shared that our strategy moving forward would include some type of contract limitation for all producers. After much thought and consideration, we are affecting new contract volumes per your enclosed new contract.

Our decision to cap producer contracts is based strictly on limited plant capacity. Over the last 23 years, we have grown our California plant by almost 20 percent annually. Now, despite continued good demand for our products, we have reached a point where we have very little ability to increase capacity at the Hilmar site. Consequently, we must adjust milk contracts to ensure that our supply does not exceed our ability to process your milk into high quality, value-added dairy products.


Enclosed you will find two originals of your new contract with Hilmar Cheese Company. Please sign and return one original using the enclosed self-addressed stamped envelope by Wednesday, October 31, 2007. If we do not receive the signed contract by this date, this letter will serve notice that the contract we now have in effect with you will terminate effective January 31, 2008.

A common question you might have is, "what happens if I exceed my contract?" Hilmar Cheese Company will enforce the contract volume limitations as they are a vital part of planning our business going forward. This means that if you exceed your contract volume we may take, but are not limited to, such actions as only picking up the contract amount, and/or terminating your contract.

I know that these are big changes in our relationship with you. Our milk supply and our relationship with you are critical to us. But, we must plan for the contractual volumes we agree to purchase if we are to be successful as the purchaser and marketer of your milk. This means that we will need to work much more closely with you as we move forward. And, this change in our contract arrangement is a critical part of working together.

We appreciate your understanding as we move forward together. Feel free to contact a member of the Milk Team with any questions.

Sincerely,



JOHN JETER  
President and CEO

Enclosures

August 21, 2009



Dear Milk Producer/Supplier,

This year certainly has proven to be one of the most difficult times financially for milk producers. We are finally seeing some relief in terms of prices as supply and demand begin to come into better balance.

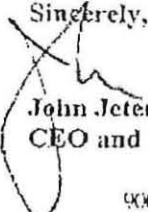
Not that long ago the state was experiencing an oversupply of milk that required strict volume constraints and now, in July, California production is down over 5% compared to last year. And because Hilmar Cheese had limited processing capacity, in the recent past it has been our approach to purchase milk from our direct shippers on a controlled, contracted basis and fulfill the remaining needs of the plant with spot milk from other California sources. This allowed us to flex with market situations. The current dramatic drop in milk production has caused us to re-evaluate our procurement strategy. Today, we are simply unable to meet the needs of our customers without increasing our supply of raw milk. In the 10 weeks from July 13 through September 14 we have significantly shorted our commercial cheese customers simply because we cannot get the milk we need. With Wisconsin milk production up 5% in July, our concern is that our customers will question our ability to supply their growing needs and look to the Midwest instead. As a result we need to make some adjustments. Therefore, in the short term we will allow our contracted milk producers to ship over their contract caps through the end of this year, December 31, 2009.

During this time of relaxed volume caps, we will work to develop a more complete approach to supplying the plant for the next several years that reflects current and anticipated realities as we see them. As the California milk supply adjusts over the next few months, we will better understand long-term milk availability. It is likely we will decrease our dependence on outside, spot milk and increase our direct ship supply. However, this is not guaranteed. We caution you against making any major growth changes on your dairy that can not be reversed in January 2010, at least until we give you more direction.

If our future milk procurement strategy does include increasing milk contracts next year, these will be given based on objective criteria used to rank producers, such as high milk quality, high cheese yield and environmental certification. If growth is in your dairy's long-term plans, we encourage you to focus on these areas during this pause from volume controls. We will also use this time to review any unused contract volumes individually.

Thank you for your continued support of our efforts to provide high quality dairy products to meet market demands; we know it is not an easy task. If you have any questions, please contact a member of the Milk Team at 209-667-6076.

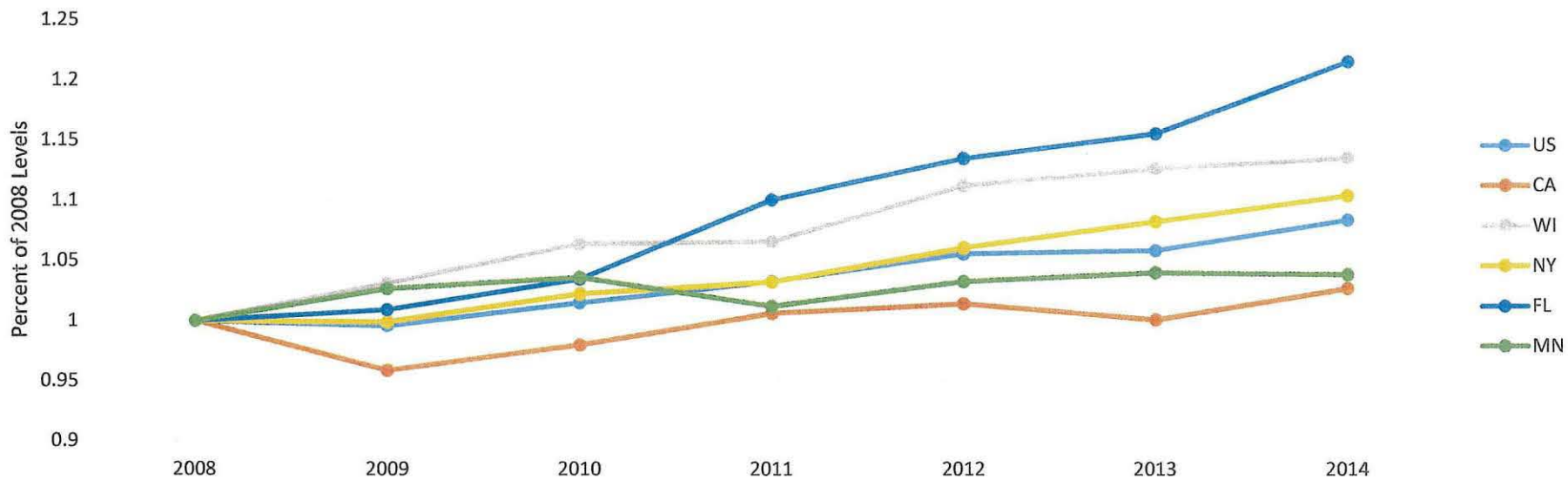
Sincerely,



John Jeter  
CEO and President

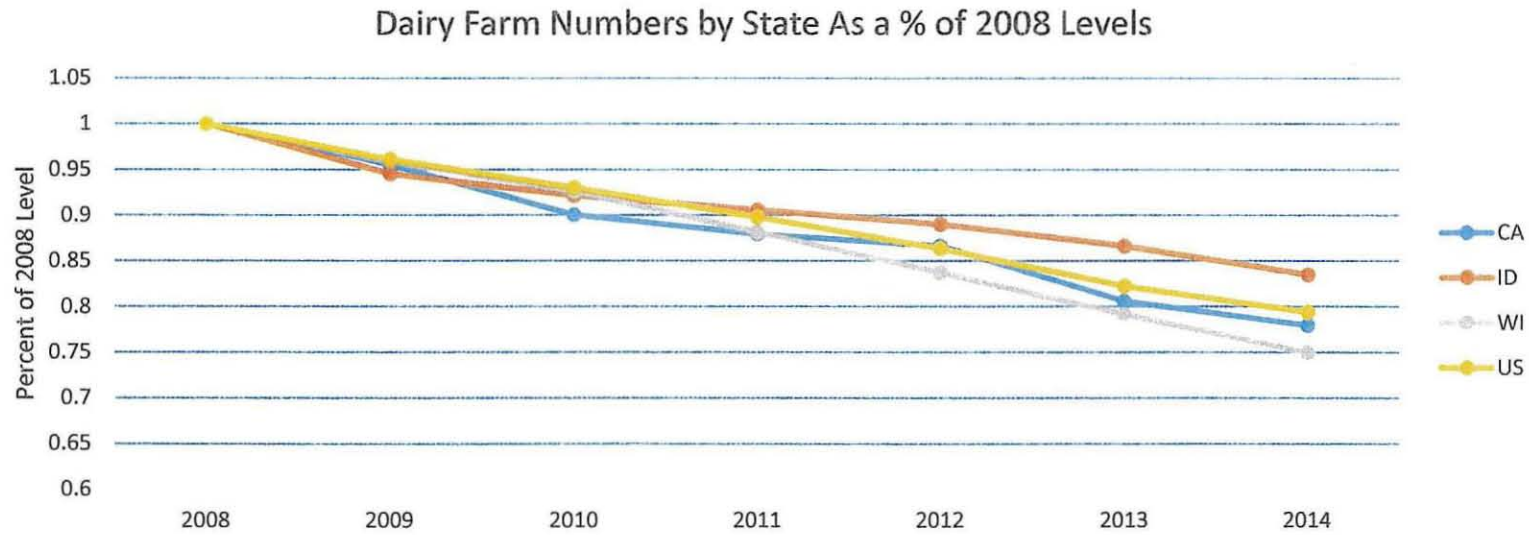
9001 North Lander Ave. • P.O. Box 910 • Hilmar, CA 95324 • (209) 667-6076 • Fax (209) 634-1408

Cooperatives' Exhibit 13.F  
Milk Production Index, Selected States and U.S.  
2008 - 2014 (2008 - 100%)



## Cooperatives' Exhibit 13.G

Year	CA	ID	WI	US	CA	ID	WI	US
	Number of Herds				Index 2008 = 100%			
2008	1,905	635	13,730	57,127	100%	100%	100%	100%
2009	1,820	600	13,170	54,932	96%	94%	96%	96%
2010	1,715	585	12,710	53,132	90%	92%	93%	93%
2011	1,675	575	12,100	51,291	88%	91%	88%	90%
2012	1,650	565	11,490	49,331	87%	89%	84%	86%
2013	1,535	550	10,860	46,975	81%	87%	79%	82%
2014	1,485	530	10,290	45,344	78%	83%	75%	79%





**Cooperatives' Exhibit 13.H  
2014 Selected States Margin/cwt**

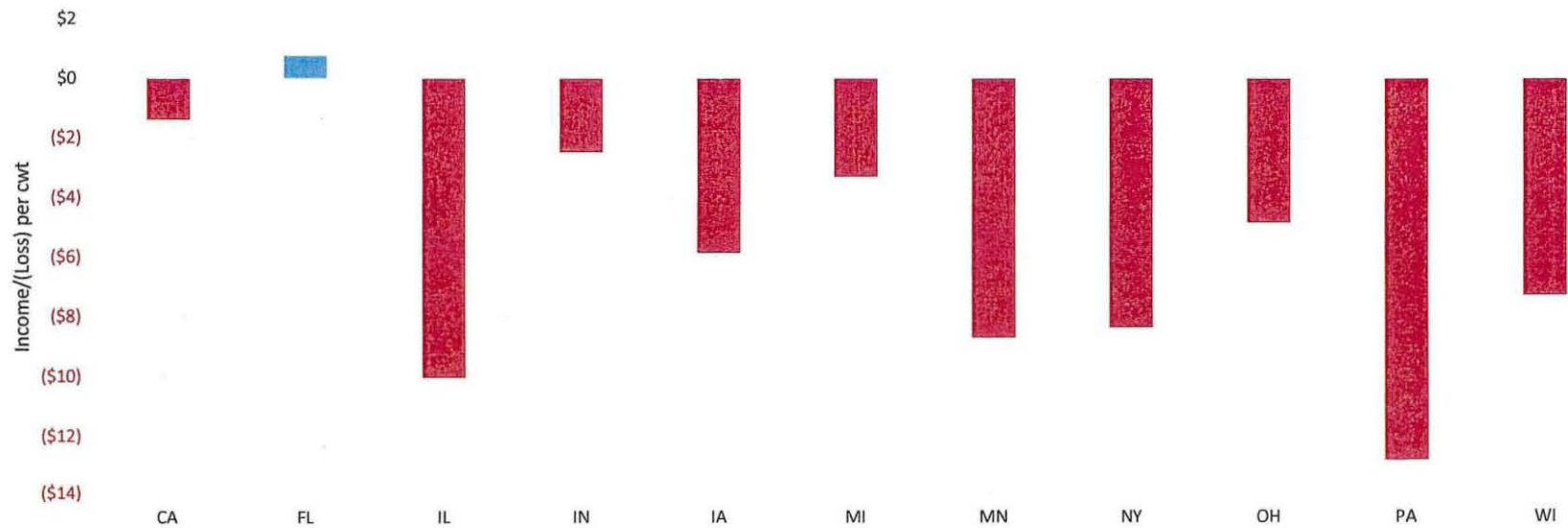
	<u>CA</u>	<u>FL</u>	<u>IL</u>	<u>IN</u>	<u>IA</u>	<u>MI</u>	<u>MN</u>	<u>NY</u>	<u>OH</u>	<u>PA</u>	<u>WI</u>
Mailbox Pr	\$ 21.83	\$ 27.13	\$ 24.52	\$ 23.55	\$ 24.52	\$ 23.47	\$ 24.28	\$ 24.54	\$ 24.20	\$ 24.48	\$ 24.27
Add Back:											
Mktg & H	\$ 0.68	\$ 0.65	\$ 0.68	\$ 0.65	\$ 0.65	\$ 0.69	\$ 0.69	\$ 0.77	\$ 0.70	\$ 0.71	\$ 0.71
Total Reve	\$ 22.51	\$ 27.78	\$ 25.20	\$ 24.20	\$ 25.17	\$ 24.16	\$ 24.97	\$ 25.31	\$ 24.90	\$ 25.19	\$ 24.98
COP **	\$ 23.90	\$ 27.00	\$ 35.24	\$ 26.69	\$ 31.04	\$ 27.47	\$ 33.68	\$ 33.68	\$ 29.76	\$ 38.00	\$ 32.28
Net Incor	\$ (1.39)	\$ 0.78	\$ (10.04)	\$ (2.49)	\$ (5.87)	\$ (3.31)	\$ (8.71)	\$ (8.37)	\$ (4.86)	\$ (12.81)	\$ (7.30)

\* Source Federal Order Mailbox Prices 2014 Table, [www.fmma30.com/Homepage/FO30-MailboxPrices.html](http://www.fmma30.com/Homepage/FO30-MailboxPrices.html)

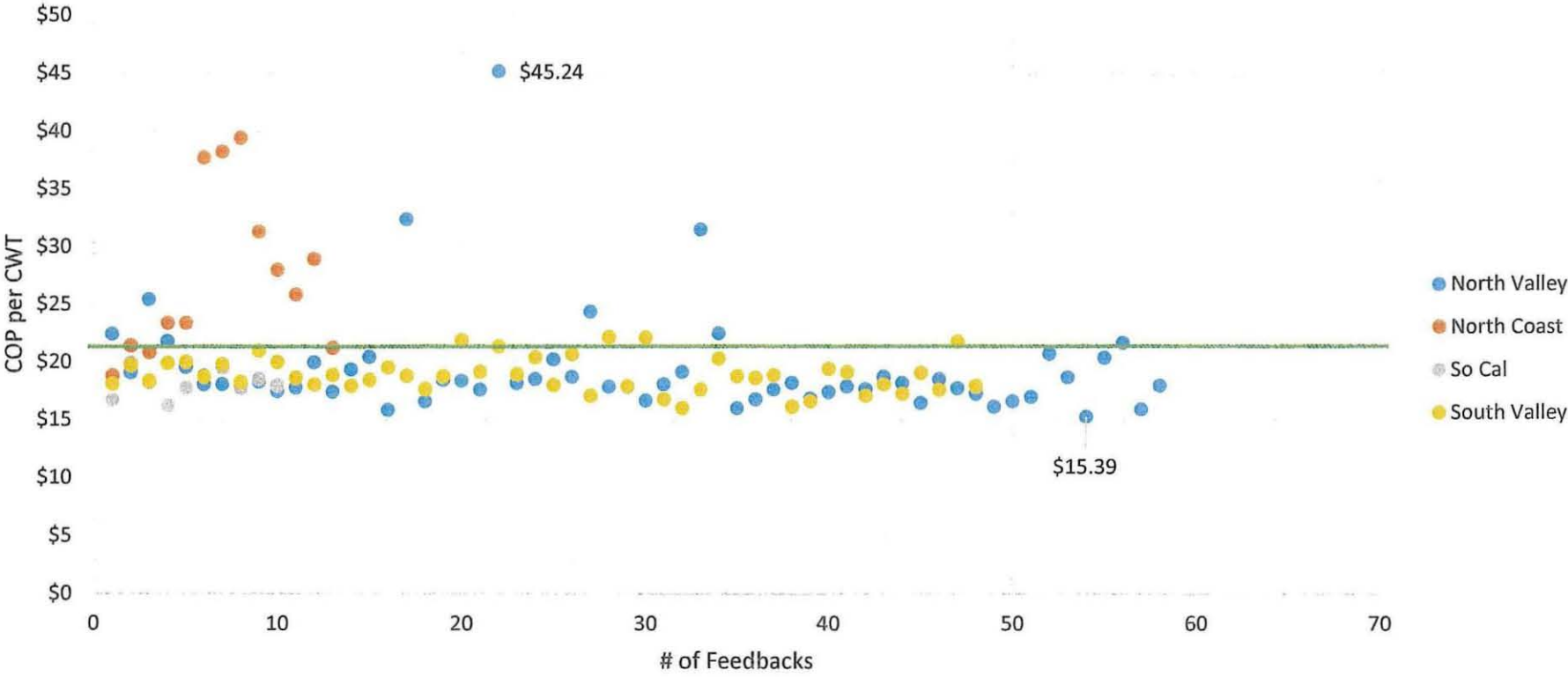
\*\* Source ERS COP for 2014, [www.ers.usda.gov/datafiles/Milk\\_Cost\\_of\\_Production\\_Estimates/Milk\\_CostofProduction\\_Estimates2010\\_Base/Annual/MilkState2010%20base.xls](http://www.ers.usda.gov/datafiles/Milk_Cost_of_Production_Estimates/Milk_CostofProduction_Estimates2010_Base/Annual/MilkState2010%20base.xls)

\*\*\* Mktg costs from the ERS COP, hauling estimate of \$.50/cwt

**2014 Selected States Margin/cwt**



### Cooperatives' Exhibit 13.1 CDFA's COP Q4 - 2012



Cooperatives' Exhibit 13.J  
CDFA's Net Margin Q4 - 2012

