

HORIZON ORGANIC
 12002 Airport Way,
 Broomfield, CO 80021

Dear Producer Partner,

2007 is rapidly coming to a close and 2008 is looming ahead of us. 2007 can undoubtedly be summarized as the most challenging year the organic dairy industry has faced to date. The change in organic transition rules (80/20) brought a wave of new organic milk that over-supplied the industry in an unprecedented way. While processors struggle with surplus milk and competition on the shelf, organic dairy farmers are challenged with record high feed costs and fuel/energy increases. Simultaneously, the conventional dairy industry is facing the most volatility it has ever seen before in the history of dairy in the US.

I am proud to say that Horizon Organic and you, our farmer partners, **have** weathered the challenges of 2007 and are looking forward to 2008. While volatility will prevail into the New Year, we expect "balance" will be restored to the organic industry supply and demand situation. We predict that more and more consumers will continue to choose organic dairy products and the category to continue to grow at a 20% pace.

Horizon Organic stands committed, as always, to you our farmer partners. So we are pleased to announce that we are implementing a \$.50/cwt winter feed premium for all milk shipped November and December 2007. Additionally, we have approved new pricing for 2008. Effective January 1, 2008 the following adjustments will be made to your pricing, even though your current agreement may call for a lower pricing structure:

Base: \$25.00 @STD (3.5% BF = \$1.82; 2.99% Protein= \$1.562; 5.65% other solids = \$.25)

MAP: \$1.25

Seasonality Premium: \$3.00/cwt for all milk produced in the months of January, October, November, and December 2008 (short program); and \$1.50 for the long program beginning March 2008. This is a doubling of the seasonality program.

We have moved money from the MAP to your base, added to your **MAP**, and added to the seasonality program to help you with winter feed costs.

We are continuing to monitor the economic conditions and will keep you posted with any additional changes in the future.

Again, thanks for being a Horizon Organic partner as we continue to build the organic industry.

Regards,

Craig Fullmer
 Director, Milk Supply
 Cc: Jule Taylor Producer Relations Managers

This latest deal Horizon has taken out the option to use the Market Administrator price for components.

Their protein price is much lower than the FMMO

| | 2007 | 2008 |
|---|------|-------|
| Base | 24 | 25 |
| MAP | 2 | 1.25 |
| Long Program | 0.75 | 1.5 |
| Short | 1.5 | 3 |
| Average year round /cwt price | | |
| | 2007 | 2008 |
| Long program | 26.5 | 27.25 |
| Short Program | 26.5 | 27.25 |
| Long program = 8 x \$ divided by 12 for year round average | | |
| Short program = 4 x \$ divided by 12 for year round average | | |