

BULK TANK

Bulk tank shall be large enough for every-other-day pickup year-round. Any producer with two tanks shall have both tanks in working order.

TANK PROBLEMS

Any producer who has tank problems or forgets to turn the tank on should *call a fieldman or the office immediately. We cannot use sour milk.*

FAMILY DAIRIES DISASTER COVERAGE

As part of pooling our milk in the Federal Milk Marketing Order Valley Queen contracts with Family Dairies for services. One of the services Family Dairies provides is disaster coverage for loss of production caused by wind, lightning, fire, snowstorms etc. This coverage comes at no cost to the producer. If you have questions contact your Family Dairies Representative at 608-244-3373.

CHEESE

Cheese ordered one pickup will be delivered the next pickup. We have several varieties available. Please check with your milk hauler for current selection.

ANTIBIOTICS

1. IF A PRODUCER SUSPECTS THAT ANTIBIOTICS HAVE ENTERED HIS MILK SUPPLY ON THE FARM, HE IS TO IMMEDIATELY NOTIFY VALLEY QUEEN CHEESE FACTORY, INC. THIS MILK IS **NOT** TO BE SHIPPED UNTIL TESTED. (IF THE MILK TESTS POSITIVE, THE FOLLOWING SCHEDULE WILL APPLY):

- a. First occurrence in the calendar year: The milk will be disposed of at the farm, and the producer will receive 80% of the gross value of the milk.
- b. Second occurrence in the calendar year: The milk will be disposed of at the farm, and the producer will receive 30% of the gross value of the milk.
- c. Over two occurrences: The milk will be disposed of at the farm, and the producer receives no payment for the milk.

2. IF ANTIBIOTIC / DRUG RESIDUES ARE FOUND AS THE RESULT OF ROUTINE SAMPLING OF INDIVIDUAL PRODUCER SAMPLES AND WERE NOT DETECTED ON THE BULK LOAD:

a. No further milk can be picked up from the producer until sampled and proven to be free of drug residue. No payment will be made for any milk which is subsequently disposed of.

b. State and Federal laws require milk processors to report all incidents of adulterated milk shipments to the State Regulatory Authorities.

3. IF ANTIBIOTIC/DRUG RESIDUES ARE FOUND ON A BULK LOAD AND TRACED TO A PRODUCER:

a. No payment for the contaminated milk shipped by the producer.

b. THE ENTIRE LOAD OF ADULTERATED MILK BECOMES THE FINANCIAL RESPONSIBILITY OF THE CONTAMINATING PRODUCER INCLUDING ALL DISPOSAL RELATED COSTS.

c. No further milk can be picked up from the producer until sampled and proven to be antibiotic free. No payment will be made for any milk which is subsequently disposed of.

d. State and Federal laws require milk processors to report adulterated milk shipments to the State Regulatory Authorities.



Valley Queen Cheese Factory, Inc.

Milk Procurement Policies

EFFECTIVE JANUARY 1, 2008

Milk Procurement Department

Dan Mikkelson

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MILK PRICES

Milk prices will be based on cheese yield pricing and will vary with the cheese market.

Fixed pricing is also available. Please see Valley Queen forward pricing brochure for details of the program.

BUTTERFAT AND PROTEIN TESTS

Samples will be tested each pickup and averaged semi-monthly for pay purposes.

SOMATIC CELL QUALITY PROGRAM

Somatic cell adjustment rate = .0015 multiplied by the pay period cheese yield value.

To calculate somatic premium for counts below 350,000 subtract the SCC average (in thousands) from 350 and then multiply by the somatic cell adjustment rate. For counts above 450,000 subtract the SCC average from 450 and multiply by the adjustment rate. Counts between 350,000 and 450,000 are in the zero adjust zone.

Example with cheese yield value = \$1.50
Somatic Cell Adjustment Rate=\$.002250

Somatic cell count	\$/cwt.	Somatic cell count	\$/cwt.
50,000	\$0.68	325,000	\$0.06
75,000	\$0.62	350,000	\$0.00
100,000	\$0.56	400,000	\$0.00
125,000	\$0.51	450,000	\$0.00
150,000	\$0.45	500,000	(\$0.11)
175,000	\$0.39	550,000	(\$0.23)
200,000	\$0.34	600,000	(\$0.34)
225,000	\$0.28	650,000	(\$0.45)
250,000	\$0.23	700,000	(\$0.56)
275,000	\$0.17	750,000	(\$0.68)
300,000	\$0.11	850,000	(\$0.90)

Somatic cell counts will be run on each pickup and averaged for each pay period.

GRADE A PREMIUM

Valley Queen will purchase only Grade A milk. Any Valley Queen producer holding a Grade A permit will receive a premium of no less than 50¢/cwt which will be added to each milk check. Persistently high bacteria counts above 100,000 could result in the loss of Grade A Premium.

VOLUME PREMIUM AND BASE HAULING RATES

The premium levels and hauling rates will be determined for each pay period by average daily milk production for that period.

DAILY PRODUCTION		Volume Premium	Base Hauling
106,000	& Above	\$0.90.....	mileage based
72,500	105,999	\$0.85.....	mileage based
31,500	72,499	\$0.75.....	mileage based
25,200	31,499	\$0.70.....	\$0.12
18,900	25,199	\$0.65.....	\$0.15
10,200	18,899	\$0.55.....	\$0.20
6,800	10,199	\$0.30.....	\$0.30
3,800	6,799	\$0.15.....	\$0.35
Less than	3,800	\$0.00.....	\$0.40

HAULING SURCHARGE

A mileage surcharge based on the distance from Valley Queen will be applied as follows:

Less than 10 miles.....No Surcharge

10 or more miles.....\$.02/cwt per 5 mile increment over 10 miles.

FUEL SURCHARGE

Your hauling rate as calculated above will be multiplied by a Fuel Surcharge rate that will be based on the prevailing diesel price at the time of calculation. We will publish our current Fuel Surcharge rate and the formula used to calculate it at www.vqcheese.com/milk.htm

MILK PAYMENT

Semi-monthly cutoffs are the 15th and last day of each month. Milk payments will be deposited on the 8th & 23rd or next banking day. Vouchers will be delivered on milk trucks. Direct Deposit of milk payroll is required.

ASSIGNMENTS

1. A maximum of three assignments per farm.
2. Any existing farm with more than three assignments will be allowed, however, upon satisfaction or termination of any assignments in excess of three, replacement will not be allowed.
3. Any changes to existing assignments or any new assignments must be in writing and received by Valley Queen prior to the beginning of the pay period.
4. \$10.00 **Annual Fee** per assignment to be assessed on the First Pay Period of the year.
5. \$10.00 **Administration Fee** assessed on all new assignments and changes to existing assignments, including but not limited to; dollar amount or percentage changes and suspensions and reinstatements. This fee will not apply to mailing address changes or name changes.

ADVANCES

No advances allowed.

ADDED WATER

Added water will not be tolerated in any producer's milk.

MINIMUM PRODUCTION

We will not pick up any producer who does not have at least 1000# per day.

PRODUCTION

All milk sold to Valley Queen must be your own production and produced on your farm.

MILK ROOM AND MILKING FACILITIES

All milk rooms and milking facilities must be state approved.

Any State Inspection Fees will be paid by Valley Queen in Iowa, Minnesota or South Dakota.

Any reinspections will be paid by the milk producer.