

IMPROPERLY COOLED MILK

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.**

In any instance of improperly cooled milk, Valley Queen reserves the right to load the milk at the farm and make the final decision to accept or reject the load once it arrives at the plant. The decision to accept or reject the milk will be based on sensory evaluation and analytical laboratory testing.

Where there is an incident involving improperly cooled milk at the farm and the decision to accept or reject will be made upon arrival at the plant, a plant representative will attempt to notify the producer about the issue. If the producer cannot be immediately notified, a written notice will be left at the farm.

If the milk is rejected after it arrives at the plant, the producer will only be responsible for the milk that was produced at their dairy.

ANTIBIOTICS

If a producer suspects that antibiotics have entered his milk supply on the farm, he is to immediately notify Valley Queen. This milk is **not** to be shipped until tested. If the milk tests positive for antibiotics, the following schedule will apply:

- 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.
- 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.
- Over two occurrences in the calendar year: The milk will be disposed of at the farm, and the producer receives no payment for the milk.

If antibiotic / drug residues are found as the result of routine sampling of individual producer samples and were not detected on the bulk load:

- 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.

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

If antibiotic / drug residues are found on a bulk load and traced to a producer:

- No payment for the contaminated milk shipped by the producer.
- **THE ENTIRE LOAD OF ADULTERATED MILK BECOMES THE FINANCIAL RESPONSIBILITY OF THE CONTAMINATING PRODUCER INCLUDING ALL DISPOSAL RELATED COSTS.**
- 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.
- State and Federal laws require milk processors to report adulterated milk shipments to the State Regulatory Authorities.

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 about coverage, contact your Family Dairies Representative at 608-244-3373.

BULK TANK

Bulk tank storage capacity shall be sufficient for every-other-day pickup year-round. Any producer with multiple tanks shall have all tanks in working order.

CHEESE

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



Milk Procurement Policies

EFFECTIVE JANUARY 1, 2009

Milk Procurement Department

24-Hour On-Call Phone 605-438-3444

Dan Mikkelson
Field Service Representative
Cell 800-616-3044 Office 605-432-9624

Gregg Dunnihoo and Kyle Schweer
Scheduling Coordinators
Cell 605-880-3217 Office 605-432-9626

Kevin Welberg
Driver Supervisor
Cell 605-880-3216 Office 605-432-9625

Jody Kuper
Procurement Manager
Cell 605-880-1256 Office 605-432-9623

P.O. Drawer 351 Phone: 605-432-4563
Milbank, SD 57252 Toll Free 800-782-2950
Fax: 605-432-9383
<http://www.vqcheese.com>

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

To calculate somatic cell adjustments:

For counts below 350,000: Subtract the SCC average (in thousands) from 350 and 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: If the cheese yield value = \$1.50, then the Somatic Cell Adjustment Rate = \$.002250 (\$1.50 x .0015 = \$.002250). The following chart illustrates somatic cell adjustments at various cell counts based on a \$1.50 cheese yield value.

<u>SCC Ave</u>	<u>\$/cwt.</u>	<u>SCC Ave</u>	<u>\$/cwt.</u>
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)

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 the 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.

<u>Daily Production</u>		<u>Volume Premium</u>	<u>Base Hauling</u>
106,000	& Above	\$ 0.90	mileage based
75,000	105,999	\$ 0.85	mileage based
32,500	74,999	\$ 0.75	mileage based
22,500	32,499	\$ 0.65	\$ 0.15
12,000	22,499	\$ 0.55	\$ 0.20
8,500	11,999	\$ 0.30	\$ 0.30
4,000	8,499	\$ 0.15	\$ 0.35
0	3,999	\$ 0.00	\$ 0.40

HAULING SURCHARGE

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

<u>Less than 10 miles</u>	<u>10 or More Miles</u>
No Surcharge	\$.02/cwt per 5 mile increment starting at 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

rbST-FREE PREMIUM

Valley Queen will offer a premium of \$.15/cwt for all milk certified as rbST-free. If you are interested in certifying your herd, please contact our field service staff. Please be advised that Valley Queen's rbST-free policies are subject to change at any time depending on market conditions.

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. A \$10.00 Annual Fee per assignment will be assessed on the first pay period of the year.
5. A \$10.00 Administration Fee will be 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 re-inspections will be paid by the milk producer.**