

Risk Management Services Update

This mailing is intended to keep members informed of forward contracting and stabilizer pricing programs that RMS offers. In addition to providing price estimates, this email list will also be used to alert members of available customer contracts, new products, and any other changes, such as a drastic market rise or fall, that may impact your risk management decisions.

Friday 10/03/08 Prices:

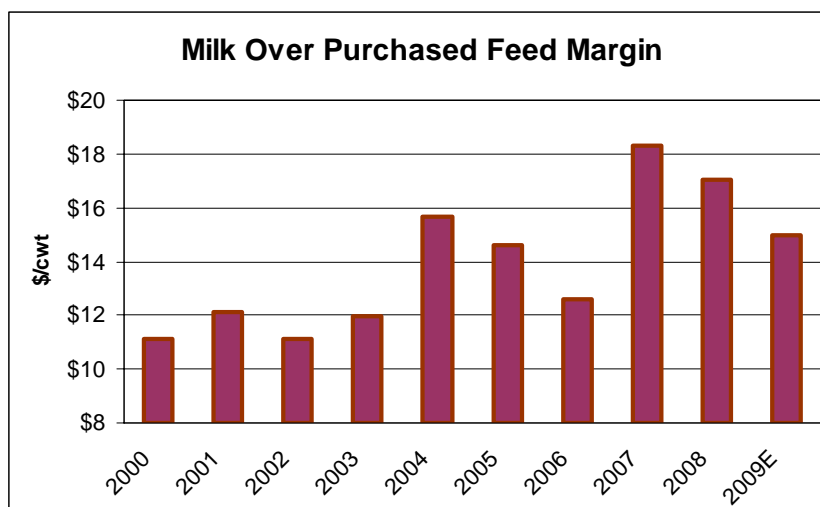
| Averages | Additional Fees | |
|-------------------------------------|-----------------|---------|
| 2008 Oct - Dec Contract Price | \$16.04 | |
| 2009 Jan - Dec Contract Price | \$15.89 | |
| 2010 Jan - Aug Contract Price | \$16.58 | |
| Upside Rider | | |
| October - December 2008 | | |
| \$17.00 Strike Price | | \$0.23 |
| January - December 2009 | | |
| \$18.00 Strike Price | | \$0.60 |
| Minimum Price Contract | | |
| October - December 2008 | | |
| \$15.00 Strike Price | | \$0.45 |
| January - December 2009 | | |
| \$15.00 Strike Price | | \$0.86 |
| Fence Contract | | |
| October - December 2008 | | |
| \$15.00 Floor | | |
| \$17.00 Ceiling | | |
| Total Cost | | \$0.28 |
| January - December 2009 | | |
| \$15.50 Floor | | |
| \$17.50 Ceiling | | |
| Total Cost | | \$0.24 |
| Blend Price Stabilizer | | |
| 1-Year CNY Zone | \$15.50 | Rolling |
| PPD Minimum Price Stabilizer | | |
| 1-Year CNY Zone | \$0.30 | Rolling |

Prices listed are based on CME futures and option activity for October 3, 2008 these listed prices are not actual contract offers, but are intended as price guides. Forward contract offers are determined daily on the CME activity and are subject to change. If you are interested in a contract, please call Risk Management Services, to discuss current opportunities.

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Historical Margin Calculation

Risk Management Services is continuously challenging itself and others to analyze current market conditions in a relevant format. Historically, we have solely looked at milk price as an indicator of market conditions, but as you know from your operation, we need to be looking at the milk price in conjunction with costs. The following graph displays a margin that considers both the **milk price** and the **purchased feed** costs for a typical northeastern dairy operation.



Graph Details

Milk Price – the milk price used in this calculation is the Class III milk price plus a basis, both historical and futures prices trading on the CME Group exchange (CME).

Purchased Feed – the purchased feed prices convert the protein and energy requirements of the purchased portion of a typical ration to corn and soybean meal equivalents. Both the historical price for corn and soybean meal and the futures trading prices on the CME are used in this calculation. The calculation accounts for the purchased feed nutritional requirements for young stock, dry cows, and milking cows.

Margin Calculation – The margin is the difference between the milk price and the purchased feed cost. The margin represents the amount of the milk check left after paying for the purchased feed.

Feed Prices

This week the entire commodity sector of the futures markets has taken a strong downturn. The decline in milk prices have been small, compared to several feed commodities. The overall drop in feed prices has been spurred by the turbulent financial market, but backed by fundamentals of a good crop year. While feed prices seem to be at bargain prices now, the future outlook is not so clear. Several analysts are expecting feed prices to increase in the upcoming months. Unfortunately, those same analysts are not so certain that milk prices will increase with feed prices – that scenario would decrease the margin shown above, and once again create difficult times for the dairy producer.