



Dairy Farmers of America

May 8, 2008

Dear Member:

We are saddened and disappointed to tell you that we recently learned about an improper transaction involving two former senior representatives of Dairy Farmers of America, Inc. (DFA). In 2001, DFA's former CEO, Gary Hanman, played a role in arranging for the unauthorized transfer of money, to be paid through a DFA affiliate, to former DFA Board Chairman Herman Brubaker. Brubaker received \$1,000,000. This transaction was not approved by DFA's Board of Directors.

This is obviously not conduct that we condone. DFA's past and present Boards of Directors were not involved in this wrongdoing, and the current Board and management team only recently became aware of it.

Once we learned of the transaction, we moved quickly to secure the repayment of the money. We can report today that \$1 million, plus interest, has been returned. However, the return of funds is not the end of this matter. A special committee of the Board has been directed to look into whether any similar transactions have taken place and will also examine whether any additional standards or practices could enhance internal controls at DFA. We expect that the committee will report back to the Board in the next few months.

We recognize this news is disturbing, and we regret having to report this to you. When we learn of matters that affect you, even unfortunate ones, we think you should hear about them directly from us.

In the past couple of years, we have made significant operational changes designed to ensure the long-term strength and success of your Cooperative. We have accomplished a great deal, and we are confident that we have a promising future ahead of us.

We continue to look to you for guidance and support as we move DFA successfully into the future. If you have questions, please do not hesitate to direct them to us, or contact your local membership office or Chief Operating Officer. We will certainly keep you updated as our work on this matter moves forward.

Sincerely,

A handwritten signature in black ink that reads "Rick".

Richard P. Smith
President and CEO

A handwritten signature in black ink that reads "Tom".

James P. Camerlo
Chairman