COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS (CROPP)

One Organic Way | La Farge, WI 54639 | (888) 444-6455

CONFIDENTIAL OFFERING CIRCULAR

Aggregate Maximum of 500,000 shares of Class E, Series 4

Offering Price: $50.00 per Share

Date of this Offering Circular: May 31, 2017

CROPP (the Cooperative) hereby offers up to 500,000 shares of the Cooperative's $50.00 par value Class E, Series 4 Stock ("Class E, Series 4 Stock" or the "Shares") at an offering price of $50.00 per share (the "Offering"). At this time, the Cooperative is offering up to 500,000 shares of its Class E, Series 4 Stock only to eligible investors, consisting of (i) employees of the Cooperative, (ii) members of the Cooperative, and (iii) specific outside investors as determined by the Cooperative's Finance Committee. Eligible investors must initially subscribe for a minimum of 10 Shares for an aggregate purchase price of $500.00 The Offering will continue until the earlier of April 30, 2018 (subject to extension by the Cooperative), the date the Cooperative has sold all of the Shares offered hereby, or such earlier date as the Cooperative may close or terminate the Offering. During such time as the Offering remains open, a holder of Class E, Series 4 Stock may reinvest the dividends paid on such Class E, Series 4 Stock if at the time of such reinvestment the holder is an eligible investor. See "Plan of Distribution."

The Cooperative's Class A Stock is the Cooperative's only class of voting stock. All Class E Stock, including the Class E, Series 4 Stock is non-voting. The Class E, Series 4 Stock carries a cumulative dividend of 4% of par value. A subscription in this Offering becomes effective upon approval of that subscription by the Cooperative. Once a subscription has been approved by the Cooperative, such subscriber's payment for Shares will not be held in escrow, but will immediately become an asset of the Cooperative subject to the risks of the Cooperative's business.

See "Risk Factors," beginning on page 11 of this Offering Circular, for a discussion of certain factors that should be considered by prospective purchasers of the Shares offered hereby.

THE SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Number of Shares	**Price to Public**	**Proceeds to Cooperative [1]**
Per Share	1	$50	$50
Total Maximum	500,000	25,000,000	25,000,000

[1] Before deducting expenses, including printing, advertising, accounting and legal services, payable by the Cooperative.

Special Notices to Potential Investors

This Offering Circular does not constitute an offer of the Shares to any person other than the intended recipient to whom the Cooperative delivers the Offering Circular. You should rely only on the information contained in this Offering Circular. We have not authorized anyone to give you any information that is different from what is contained in this Offering Circular. This Offering Circular does not constitute an offer or solicitation to or by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. The Offering Circular is dated May 31, 2017. Neither the delivery of this Offering Circular nor any sale made hereunder creates, under any circumstances, any implication that there has been no change in the affairs of the Cooperative since the date of the Offering Circular.

The Cooperative reserves the right to reject any subscription in whole or in part. Any subscription which is not accompanied by a properly executed Subscription Agreement will be rejected. Any reproduction of this Offering Circular in full or in part, or the divulgence of any of its contents, is unauthorized without the Cooperative's consent.

You may ask questions of either the Cooperative Equity Manager or the Investor Relations Manager, who are identified below, other members of the Equity Department, or Officers of the Cooperative concerning the terms and conditions of the Offering and obtain, to the extent the Cooperative possesses such information or can acquire it without unreasonable effort or expense, any additional information which is necessary to verify the accuracy of the information set forth in this Offering Circular. Questions and requests for information may be directed to:

Cooperative Regions of Organic Producer Pools
a/k/a CROPP Cooperative
One Organic Way
La Farge, WI 54639

Attn: Candice Marx
Cooperative Equity Manager
Telephone: (888) 444-6455 X3503
Fax: (608) 625-3104

Attn: Diane Gloede
Investor Relations Manager
Telephone: (888) 444-6455 X3310
Fax: (608) 625-2600

The Securities Act of 1933 (the "Act"), as amended, and the securities laws of certain jurisdictions grant purchasers of securities sold in violation of the registration or qualification provisions of such laws the right to rescind their purchase of such securities and to receive back the consideration paid. Based on the Cooperative's qualification under Section 521 of the Internal Revenue Code, Section 3(a)(5) of the Act provides the Cooperative with an exemption from the registration and reporting requirements of the Act with respect to the offer and sale of the Shares. That status also provides the Cooperative with exemptions from registration of the offer and sales of the Shares under many state securities laws. Many of the laws granting the right of rescission described above also provide that lawsuits for such violation must be brought within a specified time, usually one year from discovery of facts constituting such violation. Should any investor institute such an action on the theory that the Offering as described herein or any previous offering was required to be registered or qualified, the Cooperative will contend that the contents of this Offering Circular constituted notice of the facts constituting such violation.

Cautionary Statement Regarding Forward-Looking Statements

This Offering Circular contains Forward-Looking Statements. These Statements are based on the beliefs and expectations of Management and the Board of Directors of the Cooperative and on information currently available to the Cooperative. Forward-Looking Statements may be found under “Use of Proceeds,” “Description of Business,” “Financial Projections and Financial Statements,” as well as in other sections of this Offering Circular. Also, Forward-Looking Statements include statements in which the Cooperative uses words such as “may,” “will,” “could,” “should,” “expect,” “believe,” “anticipate,” “estimate,” “continue,” “plan,” “intend,” “project,” or similar expressions.

Forward-Looking Statements involve numerous assumptions, risks and uncertainties. Important factors that could significantly affect the Cooperative’s current plans, anticipated actions and future financial condition and results include, among others, those set forth under the heading “Risk Factors.” Actual results may differ materially from those contemplated by any Forward-Looking Statements. The Cooperative cautions you not to put undue reliance on any Forward-Looking Statements, which speak only to circumstances as of the date of this Offering Circular.

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SUMMARY

The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular. The entire Offering Circular should be read and understood by prospective investors.

<u>The Cooperative</u>

The Cooperative Regions of Organic Producer Pools ("CROPP" or the "Cooperative") is a Wisconsin cooperative that was organized in 1988 by seven farmers. The Cooperative was originally known as the Coulee Region Organic Produce Pool. In 2001, the Cooperative changed its name to reflect production and sales in areas of the country beyond the Coulee Region of Southwestern Wisconsin. Since its inception, the Cooperative has been headquartered in La Farge, Wisconsin. Originally conceived solely as a produce (*i.e.*, fruit and vegetable) cooperative, it added a dairy pool within a few weeks of organization, and by the end of the first year, dairy receipts had surpassed produce receipts. The Cooperative has grown to encompass over 1,950 organic producers in 34 U.S. states, Australia, Canada and the United Kingdom. From the various agricultural products provided to the Cooperative by its members, it produces and markets an extensive line of dairy, egg, produce, soy, and meat products, all of which are certified organic. The Cooperative currently maintains close to 600 SKUs (stock-keeping units). It also markets certified organic feed-grade crops.

The Cooperative developed the Organic Valley® brand in 1990, and the Organic Prairie® brand in 2003. In 2010, the Cooperative began selling Stonyfield® brand fluid milk products through a license and manufacturing agreement with Stonyfield Farm, Inc. In 2015, the Cooperative developed the Mighty Organic™ brand.

In 2004 the Cooperative created Organic Logistics, LLC, a wholly-owned Wisconsin limited liability company ("OL") to transport and distribute products produced by the Cooperative and third-party companies selling organic and natural foods.

The Cooperative created The Organic Meat Company, a wholly-owned Wisconsin corporation in 2003 to process and market organic meat and meat products. In 2015 the Cooperative converted the corporation to a wholly-owned Wisconsin limited liability company which it renamed OMC LLC ("OMC"). OMC owns a controlling interest in two subsidiaries, Lorentz Etc., Inc. and Dombrovski Meats Company, both Minnesota corporations with whom OMC contracts for a significant portion of its meat processing.

In 2012 the Cooperative and Gundersen Lutheran Health Systems, Inc. established Cashton Greens Wind Farm, LLC, a Wisconsin limited liability company, as a joint venture in which each party has a 50% interest. The joint venture company constructed, owns and operates two wind-powered turbines in Cashton, WI to generate energy sold by the parties to the electrical grid.

In 2014 the Cooperative created Worden Elevator LLC, a wholly-owned Oregon limited liability company ("Worden Elevator") to operate a feed mill leased by the Cooperative in Klamath Falls, OR.

In November, 2016 the Cooperative together with Dean Foods Company formed a joint venture, Organic Valley Fresh, LLC ("Organic Valley Fresh"), a Delaware limited liability company, in which each member owns a 50% economic interest and generally hold equal governance rights. Organic Valley Fresh was formed for the initial purpose of processing, distributing, marketing and selling organic milk products produced using HTST (high temperature, short time) processing, and distributing, marketing and selling of other organic products produced by the Cooperative. The business operations of Organic Valley Fresh are expected to commence in the third quarter of 2017.

The Cooperative's Produce Pool and Dairy Pool were organized in 1988, the Egg Pool in 1993, the Meat Pool (Beef) in 1998, with Pork and Poultry added in 1999, the Soy Pool in 2005 and the Grower Pool (for organic feed-grade crops) in 2008. The Cooperative's total gross revenues have grown from approximately $1 million in 1991 to approximately $1.1 billion in 2016.

Membership in the Cooperative is limited to qualified, certified organic producers. To be considered for membership, the producer must be actively engaged in the production of certified organic agricultural products, meet the quality standards of the Cooperative, bear the risk of agricultural production, and reside in regions served by the Cooperative directly or through affiliated farmer-member cooperatives.

The focus of the Cooperative is to provide consumers with certified organic products and be recognized by consumers as a trusted food source which supports family farms, animal husbandry best practices, sustainable agricultural production, and environmental protection.

The Cooperative's Organic Valley brand is the nation's largest farmer-owned certified organic brand, the second largest organic dairy brand, and the third largest organic food and beverage brand.

Securities Offered

At this time, the Cooperative is offering up to 500,000 shares of its Class E, Series 4 Stock at an offering price of $50.00 per share only to eligible investors, consisting of (i) employees of the Cooperative, (ii) members of the Cooperative, and (iii) specific outside investors as determined by the Cooperative's Finance Committee. Eligible investors must initially subscribe for a minimum of 10 Shares for an aggregate purchase price of $500.00. In addition, during such time as the Offering remains open, a holder of Class E, Series 4 Stock may reinvest the dividends paid on such Class E, Series 4 Stock if at the time of such reinvestment the holder is an eligible investor.

The Cooperative is offering and selling the Shares without the assistance of any underwriter or sales agent. Instead, certain of the Cooperative's Officers, the Cooperative Equity Manager or the Investor Relations Manager will be responsible for completing the offer and sale of the Shares. Such persons will not receive any commission or compensation for such activities, other than their normal compensation as employees of the Cooperative.

Contacts with prospective investors will be made by such representatives of the Cooperative through a variety of means, including information available on the Cooperative's website, mailings, other written communications, telephone conferences and personal meetings. Although the Cooperative has decided to offer and sell the Shares itself, the Cooperative retains the right to hire sales agents or registered broker-dealers to assist in the placement of the Shares.

Risk Factors

A decision to subscribe for Shares issued by the Cooperative subjects the subscriber to certain risks. It is the duty of the Cooperative to inform prospective investors of the material risk factors involved in an investment in the Shares. Accordingly, an investment in the Shares may not be appropriate for persons who cannot afford to lose their entire investment. Prospective subscribers are urged to carefully review the "Risk Factors" Section beginning on page 12 of this Offering Circular.

Taxation of Purchasers of Class E Stock

Following is a brief summary of material federal income tax considerations applicable to subscribers to Shares of the Cooperative in this Offering. The following summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), the regulations that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code, and judicial and administrative determinations and pronouncements, all as in effect as of the date of this summary. These authorities are subject to change at any time and any such changes could have retroactive effect so as to alter the conclusions described in this summary. Furthermore, all of these authorities are subject to differing interpretations, and the statements in this summary are not binding on the Internal Revenue Service or any court. This summary does not address aspects of taxation other than federal income taxation, including any state or local tax implications. It also does not address all aspects of federal income taxation that may apply to shareholders who are subject to special rules under the Code, including, among others, shareholders other than U.S. resident individuals.

This discussion is not intended to be, and should not be construed as, tax advice to you. The federal income tax consequences associated with acquiring Shares of the Cooperative in this Offering will depend on each subscriber's individual tax situation, and each subscriber should thoroughly and carefully consider those tax consequences. Subscribers are expected to consult with their own professional tax advisors regarding such tax consequences. Subscribers must rely upon their own professional advisors with respect to the taxation and risks related to acquiring Shares in the Cooperative in this Offering.

The Cooperative intends to treat the issuance of Class E, Series 4 Stock, pursuant to this Offering as a sale of stock to subscribers. Generally, a corporation, including a cooperative, does not recognize gain or loss when it exchanges its stock for property, including cash. Accordingly, the Cooperative will not recognize gain or loss as a result of issuing Class E, Series 4 Stock, pursuant to the Offering. A shareholder of a corporation, including a shareholder of a cooperative, who purchases stock for cash, does not recognize gain or loss as a result of the purchase. The Cooperative expects that subscribers who purchase shares of Class E, Series 4 Stock, pursuant to this Offering for cash, will not recognize gain or loss as a result of the purchase.

As a holder of Shares of Class E, Series 4 Stock, each subscriber may receive dividends on such stock, when and if declared by the Cooperative's Board of Directors. "Qualified dividends" are taxed at capital gain tax rates, which are lower than ordinary income tax rates. However, due to the Cooperative's Section 521 status (which is described on page 11 under Cooperative Taxation), dividends received from the Cooperative are not qualified dividends. As a result, under current tax law, any dividends received from the Cooperative are subject to tax at ordinary income tax rates.

Each subscriber's basis in the Class E, Series 4 Stock generally will be equal to the purchase price of the Class E, Series 4 Stock. When a shareholder sells Class E, Series 4 Stock, the shareholder will be required to recognize any gain or loss on the sale. The amount of the gain or loss will depend on the adjusted tax basis of the seller's stock and the amount realized in the sale. Gain or loss generally will be long-term capital gain or loss if the shareholder has held the stock for more than one year as of the date of the sale. In the case of non-corporate taxpayers (such as individuals, trusts and estates), net gains from the sale of capital assets held for more than one year are taxed at preferential rates, the highest of which is currently 20 percent. Net gains from capital assets held for one year or less are taxed at the same rate that applies to ordinary income. In addition to tax based on the applicable long-term or short-term capital gain rate, any gain from the sale of Class E, Series 4 Stock will also be subject to the net investment income tax at a rate of 3.8 percent.

Selected Financial Information

The following table summarizes certain financial information from the Cooperative's December 31, 2016 and 2015 and 2014 audited financial statements. Purchasers should read this table in conjunction with the Cooperative's financial statements attached hereto as Exhibit 1 in the offering circular.

SELECTED FINANCIAL DATA STATEMENT OF OPERATIONS

	For year ended Dec. 31, 2016		For year ended Dec. 31, 2015		For year ended Dec. 31, 2014	
Dairy	$ 962,364,070	87.5%	$ 917,543,687	88.1%	$ 858,078,886	88.1%
Eggs	58,704,355	5.3%	47,032,231	4.5%	41,227,090	4.2%
Produce	4,297,438	0.4%	5,628,328	0.5%	5,184,350	0.5%
Soy	4,333,022	0.4%	4,199,336	0.4%	3,338,316	0.3%
Feed	19,674,634	1.8%	21,540,416	2.1%	21,979,464	2.3%
OMC LLC Consolidated	37,227,065	3.4%	27,311,116	2.6%	27,875,451	2.9%
Organic Logistics LLC (OL)	12,773,521	1.2%	18,497,695	1.8%	15,868,095	1.6%
Worden	274,789	0.0%	276,317	0.0%	179,514	0.0%
Total Gross Sales	$ 1,099,648,894	100.0%	$ 1,042,029,126	100.0%	$ 973,731,167	100.0%
Discounts and Allowances	$ (44,571,489)		$ (25,953,292)		$ (26,746,632)	
Net Sales	**$ 1,055,077,405**		**$ 1,016,075,834**		**$ 946,984,535**	
Total Cost of Goods	$ 927,529,166		$ 865,169,452		$ 838,824,409	
Gross Margin	127,548,239		150,906,382		108,160,126	
Marketing	54,865,362		43,661,016		37,896,566	
General & Admin	70,266,045		64,291,889		55,171,372	
Net Income (Loss) Before Taxes	2,416,832		42,953,477		15,092,188	
Income Taxes	3,842,285		(6,118,918)		(595,745)	
Net Income (Loss) After Taxes	**$ 6,259,117**		**$ 36,834,559**		**$ 14,496,443**	
Balance Sheet Data						
Working Capital	$ 91,369,590		$ 101,114,720		$ 81,129,015	
Total Assets	$ 359,694,955		$ 300,218,792		$ 240,981,370	
Long Term Liabilities	$ 13,040,746		$ 11,048,877		$ 10,274,535	
Total Liabilities	$ 177,821,146		$ 126,559,105		$ 100,129,569	
Total Equity	$ 181,873,809		$ 173,659,687		$ 139,154,671	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of financial condition and results of operations should be read in conjunction with the Cooperative's consolidated financial statements and accompanying notes included in Exhibit 1, "Financial Statements and Supplementary Data" attached to this Offering Circular and the Selected Financial Information found beginning on page 4 of the Offering Circular.

Cautionary Statement

The statements in the Management's Discussion and Analysis that are Forward-Looking involve numerous risks and uncertainties and are based on current expectations. The reader should not place undue reliance on these Forward-Looking Statements. Actual results could differ materially from those anticipated in these Forward-Looking Statements for many reasons, including those risks discussed under "Risk Factors" and elsewhere in this document. Forward-Looking Statements can often be identified by the use of Forward-Looking words, such as "may," "will," "could," "should," "expect," "believe," "anticipate," "estimate," "continue," "plan," "intend," "project," or other similar words.

General

The Cooperative's Organic Valley® brand is the nation's largest farmer-owned certified organic brand. The Cooperative has grown to encompass over 1,950 organic producers in 34 U.S. states, Australia, Canada and the United Kingdom. From the agricultural products provided by its members, the Cooperative produces an extensive line of dairy, egg, produce, soy, and meat products, as well as feed-grade crops, all of which are certified organic.

The Cooperative derives revenues primarily through product sales. Net sales include product sales, less product returns, if any, and allowances. Product sales are comprised primarily of sales of organic fluid milk, organic butters, organic cheeses, organic eggs, organic meats, organic produce, organic soy products and organic feed. Revenue is generally recognized at the time title to product transfers, which is upon shipment to or pickup by a customer.

Cost of goods includes the cost of organic agricultural-products purchased from farmers, additional ingredients, processing fees, packaging costs, hauling farm product to the processor, transportation, milk pooling charges and the cost of delivering products to the customers.

The Cooperative purchases products from its members on an ongoing basis. Members execute a membership agreement and sell products to the Cooperative in accordance with that agreement.

Processing fees include payments made to the dairy, egg, produce, soy, and meat processors to convert members' organic agricultural products into finished organic products. Transportation costs include shipping costs to the processors.

Milk pooling charges include charges incurred by contracted processors as calculated by the Federal Milk Market Order System and the California Milk Market Order System.

Gross profit includes net sales less cost of sales.

Selling expenses consist of all expenses required to market and sell products, including direct selling and marketing costs.

General and administrative costs are comprised of all costs of operations and corporate support not specifically included in any of the items above. These costs include interest, depreciation, and amortization expenses.

Amortization expense includes the amortization of loan acquisition costs and software. Software purchase and implementation costs are amortized over three years and loan costs are amortized over the life of the loan.

Results of Operations: Fiscal Years Ended December 31, 2016, 2015, and 2014

The following data is a comparison of the years ending December 31, 2016, 2015, and 2014.

Sales

	2016 / Growth %			2015 / Growth %			2014 / Growth %		
Total Gross Sales Growth	$	1,099,648,894	**5.5%**	$	1,042,029,126	**7.0%**	$	973,731,167	**4.8%**

Gross Sales increased to $1,099,648,894 in 2016. Yearly sales growth was $57,619,768, $68,297,958, and $44,227,683 for the years ended 2016, 2015, and 2013 respectively. The principal factors in the sales increase for 2016 were an increase in branded sales of product across our dairy, egg and meat programs.

Sales by Category

	2016	% of gross sales	2015	% of gross sales	2014	% of gross sales
Dairy	$ 962,364,070	87.5%	$ 917,543,687	88.1%	$ 858,078,886	88.1%
Eggs	58,704,355	5.3%	47,032,231	4.5%	41,227,090	4.2%
Produce	4,297,438	0.4%	5,628,328	0.5%	5,184,350	0.5%
Soy	4,333,022	0.4%	4,199,336	0.4%	3,338,316	0.3%
Feed	19,674,634	1.8%	21,540,416	2.1%	21,979,464	2.3%
OMC LLC Consolidated	37,227,065	3.4%	27,311,116	2.6%	27,875,451	2.9%
Organic Logistics	12,773,521	1.2%	18,497,695	1.8%	15,868,095	1.6%
Worden Elevator	274,789	0.0%	276,317	0.0%	179,514	0.0%
Gross Sales	**$ 1,099,648,894**	**100.0%**	**$ 1,042,029,126**	**100.0%**	**$ 973,731,166**	**100.0%**
Discounts and Allowances	(44,571,489)		(25,953,292)		(26,746,632)	
Net Sales	**$ 1,055,077,405**		**$ 1,016,075,834**		**$ 946,984,534**	

The Dairy Program represented 87.5%, 88.1% and 88.1% of total sales for the years 2016, 2015 and 2014 respectively. This reflects the Cooperative's continuing reliance on its Dairy Program.

Dairy Sales increased 4.9% in 2016 compared to a 6.9% increase in 2015 and a 5.7% increase in 2014. This is largely due to the increased sales of branded products. The Egg Program's sales in 2016 increased 24.8%. Eggs remain the second largest sector of the Cooperative. OMC LLC consolidated sales increased 36.3%, a reversal from the previous 2% decrease in 2015. The sales increases related to Eggs and OMC LLC coincide with the Cooperative’s long term effort to grow the non-dairy businesses. Organic Logistics sales decreased 30.9% in 2016 compared to an increase of 16.8% in 2015. The large decrease relates to the loss of the largest customer of logistics sales. Organic Logistics was able to fill the gaps this created and trim expenses to remain profitable.

Gross Sales by Sales Segment

	2016	% of gross sales	2015	% of gross sales	2014	% of gross sales
Organic Valley	$ 521,174,605	47.4%	$ 461,497,983	44.3%	$ 407,365,630	41.8%
Stonyfield Licensed Fluid Brand	68,303,768	6.2%	71,993,258	6.9%	73,345,720	7.5%
Organic Prairie	17,067,636	1.6%	16,425,382	1.6%	16,084,556	1.7%
Branded Subtotal	**$ 606,546,009**	**55.2%**	**$ 549,916,623**	**52.8%**	**$ 496,795,906**	**51.0%**
Private Label	153,876,403	14.0%	152,946,915	14.7%	157,725,406	16.2%
Manufacturing	239,906,403	21.8%	252,215,366	24.2%	236,387,140	24.3%
Other	99,320,079	9.0%	86,950,222	8.3%	82,822,715	8.5%
Total Gross Sales	**$ 1,099,648,894**	**100.0%**	**$1,042,029,126**	**100.0%**	**$ 973,731,167**	**100.0%**
Discounts and Allowances	(44,571,489)		(25,953,292)		(26,746,632)	
Net Sales	**$ 1,055,077,405**		**$ 1,016,075,834**		**$ 946,984,535**	

Organic Valley brand gross sales increased to $521,174,605 in 2016. Organic Valley brand gross sales represented 47.4%, 44.3% and 41.8% of total gross sales for the years 2016, 2015, and 2014 respectively.

Non Branded sales for private label, manufacturing ingredients, foodservice, export and non-organic increased to $493,102,885 in 2016. This represents an increase of .2%, 3.2% and 4.2% for the years 2016, 2015 and 2014 respectively. This change reflects the decreased demand in our manufactured and ingredients sales due to an oversupply of non-fat-dry-milk (NFDM) throughout the country and an increase in demand in our food service and export sales segments.

Total Cost of Goods

	2016 / Growth %		2015 / Growth %		2014 / Growth %	
Total Cost of Goods	$ 927,529,166	7.2%	$ 865,169,452	3.1%	$ 838,824,409	3.5%

Cost of goods increased to $927,529,166 during 2016 from $865,169,452 in 2015. On a percentage basis, Cost of Goods represented 84.3%, 83% and 86.1% of gross sales for 2016, 2015 and 2014 respectively. The largest element of Cost of Goods is payment to members for their organic agricultural products. Member payments grew to $622.1 million in 2016. The growth in member payments was due to the addition of new members to the Cooperative.

Gross Margin

	2016 / Growth %		2015 / Growth %		2014 / Growth %	
Total	$ 127,548,239	-15.5%	$ 150,906,382	39.5%	$ 108,160,126	-9.0%
Percent of Margin	**11.6%**		**14.5%**		**11.1%**	

In 2016, gross margin decreased to $127,548,239 from $150,906,382 in 2015. As a percentage of net sales, gross margins were 11.6%, 14.5% and 11.1% for 2016, 2015 and 2014 respectively. The decrease in gross margin was mainly due to a balancing of supply and demand which resulted in an inventory buildup in 2015 and a resulting rebalancing in 2016. The inventory build was primarily in longer shelf-life dairy products, the majority of which was in powder and cheese.

Gross Margin by Category

	2016	% of gross sales	2015	% of gross sales	2014	% of gross sales
Dairy	$ 103,346,914	10.7%	$ 131,707,720	14.4%	$ 91,315,415	10.6%
Eggs	9,202,723	15.7%	8,253,384	17.5%	7,135,605	17.3%
Produce	645,026	15.0%	812,321	14.4%	154,946	3.0%
Soy	1,068,508	24.7%	1,222,984	29.1%	892,334	26.7%
Feed	1,157,526	5.9%	1,284,415	6.0%	688,970	3.1%
OMC LLC consolidated	9,725,504	26.1%	4,888,237	17.9%	5,560,134	19.9%
Organic Logistics	2,127,249	16.7%	2,461,004	13.3%	2,233,207	14.1%
Worden Elevator	$ 274,789	N/A	$ 276,317	N/A	$ 179,514	N/A
Total	**$ 127,548,239**	**11.6%**	**$150,906,382**	**14.5%**	**$108,160,125**	**11.1%**

Dairy program gross margins as a percentage of gross sales were 10.7%, 14.4% and 10.6% for 2016, 2015 and 2014 respectively. The decrease in gross margin was mainly due to the rebalancing of member supply with customer demand.

Egg Program gross margins as a percentage of gross sales remained flat to 15.7% in 2016 from 17.5% in 2015 and 17.3% in 2014.

OMC LLC gross margins as a percentage of gross sales increased to 26.1% in 2016 from 17.9% in 2015 and 19.9% in 2014. The primary driver of the increase related to the minority ownership interests in Lorentz Etc., Inc and Dombrovski Meats Company.

Gross Margin by Sales Segment

	2016	% of gross sales	2015	% of gross sales	2014	% of gross sales
Organic Valley	$ 122,120,155	23.4%	$ 86,034,851	18.6%	$ 51,303,253	12.6%
Stonyfield Licensed Fluid Brand	20,122,927	29.5%	20,705,602	28.8%	16,535,926	22.5%
Organic Prairie	4,499,353	26.4%	3,795,804	23.1%	3,372,231	21.0%
Branded Subtotal	**$ 146,742,435**	**24.2%**	**$ 110,536,257**	**20.1%**	**$ 71,211,410**	**14.3%**
Private Label	22,360,490	14.5%	18,178,511	11.9%	17,819,423	11.3%
Mfg.	14,468,317	6.0%	11,812,676	4.7%	13,207,713	5.6%
Other	(56,023,003)	-56.4%	10,378,938	11.9%	5,921,580	7.1%
Total	**$ 127,548,239**	**11.6%**	**$ 150,906,382**	**14.5%**	**$ 108,160,126**	**11.1%**

Gross Margin related to branded items continues to improve to 24.2% in 2016 compared to 20.1% and 14.3% for 2015 and 2014 respectively. The 2016 gross margin loss listed as “Other”, was driven exclusively by conventional sales of organic products due to the balancing of supply/demand.

Marketing and General Administrative and Other Expense (Income)

	2016 / Growth %		2015 / Growth %		2014 / Growth %	
Total	$ 125,030,349	15.4%	$ 108,353,599	16.4%	$ 93,067,938	14.2%
Percent of Net Sales	**11.9%**		**10.7%**		**9.8%**	

Marketing and General Administrative costs increased in 2016 to $125,030,349 up from $108,353,599 in 2015. Marketing and General Administrative costs as a percent of net sales were 11.9%, 10.6% and 9.8% in 2016, 2015 and 2014 respectively. The Marketing and General Administrative costs increased in 2016 due to an emphasis on membership services and governance for the cooperative, requiring additional expenditures by the Cooperative.

Interest Expense

	2016 / Growth %		2015 / Growth %		2014 / Growth %	
Total	$876,872	310.1%	$213,844	-72.5%	$776,470	2.0%
Interest Expense % of Sales	**0.1%**		**0.0%**		**0.1%**	

The 2016 increase in interest expense was due to increased borrowing related to inventory build.

Net Income After Tax

	2016 / Growth %		2015 / Growth %		2014 / Growth %	
Total	$ 6,304,246	-82.9%	$ 36,840,423	153.2%	$ 14,547,353	191.2%
Total % of Net Sales	**0.6%**		**3.6%**		**1.5%**	

Net income after tax decreased to $6,304,246 in 2016 from $36,840,423 in 2015. As a percentage of net sales, net income was .6%, 3.6% and 1.5% for 2016, 2015 and 2014 respectively. Decrease in net income was primarily driven by the rebalancing of supply of the Cooperative's products and customer demand for such products in 2015 and 2016. Net income was increased by deferred income taxes of $3,842,285 in 2016. Net income was reduced by $6,118,918 and $595,745 in 2015 and 2014 respectively related to income taxes.

Net Income after Tax by Category

	2016	% of gross sales	2015	% of gross sales	2014	% of gross sales
Dairy	$ 3,463,330	0.4%	$ 40,420,090	4.4%	$ 14,161,092	1.7%
Eggs	(3,229,641)	-5.5%	1,353,720	2.9%	1,364,499	3.3%
Produce	(178,118)	-4.1%	(20,896)	-0.4%	(503,710)	-9.7%
Soy	157,498	3.6%	204,425	4.9%	173,600	5.2%
Feed	110,297	0.6%	229,685	1.1%	(526,695)	-2.4%
OMC LLC consolidated	2,024,556	5.4%	585,759	2.1%	95,768	0.3%
Organic Logistics	325,444	2.5%	323,024	1.7%	601,280	3.8%
Worden Elevator	(211,405)	-76.9%	(136,466)	-49.4%	(222,736)	-124.1%
Before Tax	2,461,961	0.2%	42,959,340	4.1%	15,143,098	1.6%
Tax	3,842,285	0.3%	(6,118,918)	-0.6%	(595,745)	-0.1%
After Tax Income	**$6,304,246**	**0.6%**	**$36,840,422**	**3.5%**	**14,547,353**	**1.5%**

Dairy program net income decreased to $3,463,330 in 2016 from $40,420,090 in 2015 and $14,161,092 in 2014. Egg program net income decreased to ($3,229,641) in 2016 from $1,353,720 in 2015 and $1,364,499 in 2014. The 2016 decrease in income for the Dairy program and Egg program primarily relates to the increased conventional sales due to balancing supply/demand.

Financial Condition, Liquidity, and Capital Resources as of December 31, 2016

The Cooperative has used cash flow from operations, bank debt, and equity investments from its members and Cooperative supporters to finance the growth of the business. The Cooperative believes it has adequate cash reserves to fund its operations for the foreseeable future.

Cash, Cash Equivalents, and Short term Investments

Cash and Cash Equivalents totaled $1,871,654 at December 31, 2016. Cash flows from operating activities were $(21,293,159) for the year ending December 31, 2016.

Cash flows from all financing activities were $49,221,050 for the year ending December 31, 2016. This was primarily the result of Proceeds from sale of shares of its stock by the Cooperative and net proceeds from use of the Cooperative's Line of Credit.

Financial Instruments

The Cooperative does not maintain any material amounts of investments or financial instruments other than short-term certificates of deposits and money market accounts. The Cooperative is exposed to price fluctuations on energy due to fluctuations in the fuel market. The Cooperative uses swap contracts to reduce the effects of price volatility, with the goal of protecting against adverse short term price movements. Changes in the fair value of derivative instruments are recognized in earnings in the Consolidated Statements of Operations in the period such changes occur.

Accounts Receivable

Accounts Receivable, net of allowance for doubtful accounts, was $85,397,769 at December 31, 2016. Receivables outstanding in excess of sixty days from date of shipment were $3,517,581 at December 31, 2016.

Inventory

Inventory was $149,085,201 at December 31, 2016. Inventories consist primarily of organic products and packaging materials, which are valued at the lower of cost or market, on a first in, first out method. As a result of higher production and input costs of organic products, the carried value of inventory is often in excess of the quoted national market prices for comparable non-organic products.

Property, Plants and Equipment

During the twelve-month period ending December 31, 2016, the Cooperative invested $28,052,789 in property, plants and equipment. Investments were related to the construction or renovation of facilities in Cashton, WI and McMinnville, OR, and for equipment used in those facilities as well as the Chaseburg facility and for investments in information technology and software.

Current Liabilities

Current liabilities at December 31, 2016 were $164,780,400.

Long-Term Debt

Long-term debt, including the current portion of long-term debt, totaled $6,345,438 at December 31, 2016.

Total Capitalization

Total capitalization at December 31, 2016 was $181,873,809. During the twelve month period ending December 31, 2016 capitalization increased due primarily to additional investments and reinvested dividends in Class E, Series 1 Stock, as well as increased balances in pool equity assignment accounts which are applied toward the Member Capital Base Program.

	December 31, 2016 (Audited)	Maximum Approved Offering Sales
Class E, Series 1, $50 par value; approximately 1,705,306.48 shares issued and outstanding	$ 85,265,324	$ 96,000,000
Class E, Series 2, $50 par value; approximately 0 shares issued and outstanding	-	-
Class C, $50 par value; approximately 0 shares issued and outstanding	-	-
Class B, $50 par value; approximately 512,875.02 shares issued and outstanding	25,643,751	75,000,000
Class A Common Stock, $25 par value; 1,985 shares issued and outstanding	49,625	49,625
Total Stock	**$ 110,958,700**	**$ 171,049,625**
Class B Stock - Subscriptions	4,579,879	
Class B Stock - Subscriptions Receivable	(4,579,879)	
Pool Equities	3,007,242	
Patronage Refunds for Reinvestment	-	
Unallocated Capital Reserve	64,550,547	
Accumulated Other Comprehensive Income	1,694,189	
Total Controlling Interest	180,210,678	
Non Controlling Interest in Subsidiary	1,663,131	
Total Capitalization	**$ 181,873,809**	

Cooperative Taxation by Sales of Class E, Series 1, Series 4 and Class B Stock

On July 11, 2003, the Cooperative received a determination letter from the Internal Revenue Service granting Section 521 Status retroactive to the Cooperative's effective incorporation date in 1988. Section 521 status, available only to cooperatives of agricultural producers, allows the Cooperative to deduct dividends on capital stock as an expense for tax purposes. The dividend deduction expense may not exceed the lower of unallocated profits or dividend payments. Historically, it has been the practice of the Cooperative to record federal income tax expense as a reduction in unallocated profits and not as a reduction in net income or patrons' savings.

Cooperative External Auditor

The Cooperative hired Baker Tilly Virchow Krause, LLP in 2015 to conduct its financial audits. Prior to 2015, the Cooperative worked with auditors Hennen & Associates, PLC.

MANAGEMENT'S UPDATED UNAUDITED DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the consolidated financial statements and the notes to those statements included elsewhere in this prospectus. This discussion is meant to update our current expectations based on unaudited financial information available at the time of this offering. Unaudited financial information inherently involves risks and uncertainties. Actual audited results and the timing of events may differ materially from those described in the following, due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this prospectus.

For the period January 1, 2017 to March 30, 2017 the Cooperative achieved net gross revenue of $271,496,578 representing a 5.3% increase over the same period in 2016. Net Income (loss) for the first quarter of 2017 was a loss of ($9,261,927), this was lower than the net income of $4,185,859 which was posted for the first quarter 2016. The decrease income is attributed to a significant increase in promotional spending (discounts and allowances) in Q1 2017 compared to prior year Q1 by $8,888,194, or a 133% increase. This coupled with decreased utilization (88% compared to 95% in Q1 2016) and lower conventional prices, lead to the loss in Q1 2017.

RISK FACTORS

An investment in Shares offered hereby is highly speculative and involves a high degree of risk. It is the duty of the Cooperative to inform prospective investors of material risk factors involved in an investment in Class E, Series 4 Stock. Prospective investors should carefully consider the following factors, in addition to other information in this Offering Circular, in evaluating an investment in the Shares. The risks described below are not the only risks the Cooperative faces. The Cooperative has only described the risks it is presently aware of and that it considers material. However, there may be additional risks that the Cooperative does not view as material or of which the Cooperative is not presently aware.

Branded and Non-Branded Sales

The Cooperative's model focuses on three primary markets for its members' products: (1) Branded Sales, which includes all finished products sold under brands owned by or licensed to the Cooperative; (2) Private Label Sales, which includes sales of finished products or raw materials for resale under brands owned by, licensed to, or otherwise controlled by retailers; and (3) Manufacturing Sales, which includes sales of raw materials or ingredients to third party manufacturers for use in their products.

For the reasons described below, the Cooperative believes it is in the best interests of the Cooperative and its members that Branded Sales represent the majority of sales revenue for the Cooperative. In the past three years, Branded Sales have increased as a percentage of the total sales, while Non-Branded Sales (Private Label sales and Manufacturing sales) have decreased. The Cooperative believes that Non-Branded Sales could contribute to the commodification of organic milk, resulting in downward pressure and volatility on the price of organic milk. If this trend of increasing Branded Sales and decreasing Non-Branded Sales were to reverse, it could have a material adverse impact on the Cooperative and its financial condition.

Brand Name Development and Maintenance

The Cooperative believes that developing and maintaining its brands is vital to its success and further believes its brands are associated with high quality organic products. The Cooperative depends on its ability to market and provide customers with high quality products. The Cooperative intends to increase its SKUs (stock-keeping units) in retail locations and create new usage opportunities for its current products, such as changes in portions, sizes or flavors, and introduce new product lines. Larger supermarket chains have added private label brands, which brands are owned by the chains. These retailers are able to market their product at a lower price due, in part, to reduced marketing costs. Consumers may choose to purchase Private Label brands instead of the Cooperative's brand. The Cooperative's branded sales as a percentage of total sales has increased from 52.8% in 2015 to 55.2% in 2016, while non-branded sales as a percentage of totals sales have decreased from 47.2% in 2015 to 44.8% in 2016. If the Cooperative is unable to maintain ongoing brand loyalty, it may not be able to continue to effectively generate growth of its brands, which could have a material adverse impact on the Cooperative and its financial condition.

The Cooperative distinguishes its products through brand names, quality standards, organic certification, regional production and cooperative status (farmer-ownership). If the Cooperative experiences quality control issues; if the Cooperative, its producers or its third-party suppliers lose organic certification; or if any of the Cooperative's products are found not to comply with organic standards, the brands could be harmed. The Cooperative cannot guarantee proper treatment of its products by processors, haulers, distributors and retailers, although the Cooperative does seek to obtain contractual commitments for such proper treatment from third-party service providers. If any of these third parties fail to treat its products properly, the quality of the products may be affected, which could damage the brand names and have a material adverse impact on the Cooperative and its financial condition.

Adverse Publicity from Product Liability or Business Associations

The Cooperative occasionally receives consumer complaints alleging illness caused by the Cooperative's products. Such claims have not resulted in any material liability; however, there can be no assurance that future claims will not be made or that such future claims will not have an adverse effect on the Cooperative. This could happen as a result of adverse publicity and/or payment of monetary damages. The Cooperative currently maintains liability insurance, but there can be no assurance that such insurance will be adequate or that it will be able to obtain appropriate insurance in the future. A product recall or a product liability judgment against the Cooperative, regardless of whether it is covered by insurance, could have a material negative impact on the brands.

One of the Cooperative's subsidiaries, OMC, hires third-party processors and sells meat products under the Organic Prairie brand name. Meat products may carry a greater degree of potential liability than the Cooperative's other products due to the nature of certain pathogens specific to meat processing. The increased risk may prevent the Cooperative from obtaining or maintaining adequate insurance at a reasonable cost. Although the sale of meat products produces a very modest portion of the Cooperative's revenue, the potential liability and possible adverse publicity could be material and could have a significant adverse effect on the Cooperative.

The Cooperative licenses the Stonyfield brand for the sale of fluid milk products. Stonyfield Farm, Inc. also uses the Stonyfield brand for the sale of yogurt products, yogurt drinks and ice cream, and the Cooperative has no control over the sale or quality of these products. If there was adverse or negative publicity regarding Stonyfield Farm's products, it could have an adverse impact on the sale of Stonyfield fluid milk products and, therefore, on the Cooperative's financial results. Furthermore, as of the date of this Offering Circular, Stonyfield Farm, Inc. is owned by Danone; however, due to Danone's acquisition of WhiteWave Foods, which it completed on April 12, 2017, the U.S. Department of Justice is requiring Danone to divest its Stonyfield Farm business . As of the date of this Offering Circular, Danone has not announced a purchaser of the Stonyfield Farm business. If the subsequent buyer/new owner of Stonyfield Farms business generates adverse or negative publicity regarding who it is, what it does, or its new relationship with Stonyfield Farm's products, it could have an adverse impact on the Cooperative's sale of Stonyfield fluid milk products, and therefore, on the Cooperative's financial results.

The Cooperative has entered into a joint venture known as Organic Valley Fresh, LLC with Dean Foods to promote and sell HTST (high temperature short duration processed) organic products. The business operations of Organic Valley Fresh are expected to commence in the third quarter of 2017. While the Cooperative believes that the formation of Organic Valley Fresh and the development of the joint venture relationship will be of benefit to both the Cooperative and its members, any negative reaction from consumers could adversely impact sales of both the Cooperative's HTST products and the Cooperative's other products. Furthermore any negative reaction from organic dairy producers could adversely impact the Cooperative's current or future relationships with such producers and potentially have a negative impact on the Cooperative's supply of organic milk. Additionally, it is possible that other participants in the organic dairy industry will consider the Organic Valley Fresh joint venture to be a threat to their businesses; competitive responses from such parties could create unanticipated challenges for the joint venture.

The Cooperative's success is dependent on customers' perceptions of the environmental benefits, health benefits and high quality of organic food and the organic food industry. If there is negative publicity about the organic food industry as a whole, or the Cooperative itself, the Cooperative may experience a material adverse impact on its brands and the Cooperative's financial results.

Organic Standards and National Organic Program.

In order for the Cooperative to label its products "organic," it must be able to demonstrate that all of the feed, farm operations, fluid milk, eggs, meat, juice, produce, soy and processing steps involved in the production of the finished goods meet required standards. The U.S. Department of Agriculture (USDA) has adopted national organic regulations as required by the Organic Food Production Act of 1990 (7 U.S.C. 6501 et al.) that set forth the minimum standards that must be met in order to label products "certified organic" using the USDA Organic Label. A third-party certifier is used to confirm that all of the Cooperative's products and steps in the supply chain are in compliance with these regulations. The Cooperative can provide no assurance that organic regulations will not be tightened or otherwise modified in the future, or that such changes would not result in additional compliance costs to the Cooperative and its suppliers.

Conversely, if the USDA's National Organic Program and the organic standards it includes are either weakened by regulatory changes or limited enforcement, consumers' perception of the environmental and health benefits and high quality of organic products may be weakened, possibly leading to a loss of consumer confidence in the USDA's organic label. The budget of the National Organic Program is limited, limiting its ability to enforce the organic standards. There can be no assurance that any future federal budget will retain funding for the National Organic Program at its current; it is also possible that the National Organic Program could experience a reduction in the resources it has available for enforcement of the organic standards. Any such events that result in consumers losing confidence in the USDA's organic label could have an adverse financial impact on the Cooperative's financial results. In addition, the Cooperative maintains internal quality control standards that in certain instances exceed the federal organic certification requirements or other regulatory requirements. Modifications or other interpretations of the organic regulation minimum standards may allow other organic competitors to produce organic products at a lower cost than the Cooperative; and thus due to the Cooperative's internal control standards, the Cooperative may not be able to effectively compete with these producers, which could adversely affect the Cooperative's growth and financial results in the future.

Third Party Infringement on Intellectual Property Rights

The Cooperative's packaging and merchandising designs are integral to its success. The Cooperative and its subsidiaries currently have registered trademarks, pending applications and registered foreign trademarks and pending foreign applications which add significant value to the Cooperative. It is the Cooperative's intent to take all actions reasonably necessary to defend its intellectual property from infringement. There can be no assurance that third parties will not infringe upon or misappropriate the Cooperative's trademarks, trade dress and other proprietary rights, or that the Cooperative will be successful in defending its trademarks or other intellectual property rights.

Supply Chain Management

The Cooperative relies on its members for production of the majority of its raw materials and third parties for the majority of the processing and transportation of its products. The inability of any of these to deliver or perform in a timely or cost-effective manner could cause the Cooperative's operating costs to rise and its margins to fall. Due to the perishable nature of the majority of the Cooperative's raw materials and products, the Cooperative depends upon rapid processing and transportation to the retailer. These products can only be stored for a limited amount of time before they spoil and cannot be used or sold. The Cooperative must continuously monitor inventory and product mix against forecasted demand or risk having inadequate supplies or a surplus of raw material or inventory. The Cooperative cannot guarantee that its producers and processors will be able to meet its needs or that amounts of raw materials or processing capacity will be available when needed. Shipping and transportation costs represent a significant portion of the Cooperative's operating expenses and such costs can fluctuate based on the ability to schedule full truckloads for delivery and volatility in fuel and labor costs. If there are significant and/or prolonged increases in fuel costs and/or labor costs, the Cooperative may experience a material adverse impact on its financial results. If the Cooperative fails to manage its supply chain efficiently to ensure that products are available to meet consumer demand, the Cooperative's operating costs could increase and this could lead to reduced margins and adversely impact the Cooperative's financial condition. Other external factors such as natural disasters, weather, biological outbreaks, war, etc., could affect the production and supply of organic raw materials, as well as the processing and transportation of such product all of which could adversely affect the Cooperative's financial results.

Cost of Organic Farm Products and Organic Feed Supply

The supply of organic raw materials is limited. If the cost of organic farm products increases, or if, for any reason, the supply decreases, the Cooperative may not be able to pass along its increased costs to its customers and such events could adversely affect the Cooperative's financial results.

Organic livestock producers must feed their animals 100% organic feed in order to maintain organic certification of the milk, meat or eggs produced by the respective organic livestock producer. If the Cooperative's members are subject to significant or rapid increases in the prices they must pay to obtain organic feed for their animals, the financial stability of such members' organic operations could be compromised. As its members are essential suppliers of the organic products marketed by the Cooperative, lack of financial stability among any material portion of the Cooperative's members could have an adverse effect on the Cooperative's operations and financial condition. In certain scenarios, some members could be forced to cease or reduce production of the organic products marketed by the Cooperative, potentially impacting the Cooperative's ability to supply finished products to its customers. In addition, a significant decrease in the supply of organic feed or a significant increase in demand for (or the cost of) such feed could challenge the ability of the Cooperative's members to maintain organic certification, which could also potentially impact the Cooperative's ability to supply products to its customers. Because the grain and feed in question are organic, and are not exchange-traded commodities, it is challenging to obtain consistent data regarding pricing and availability of organic feed. In recent years the supply of organic grains and feedstuffs available to livestock producers has increased. This is due in some part to the increase of imported organic grains coming into the U.S. from abroad. The influx of organic grains has supplemented the domestic supply and has allowed livestock, dairy and poultry operations to expand more quickly than the domestic grain supply. If the imported grain supply were to become restricted, which could happen for a variety of reasons beyond the control of the Cooperative, increased risk to the Cooperative would result. The sudden unavailability of adequate grain stocks could drive up the price of the remaining stocks and result in reduced output from dairy and livestock farms, including the Cooperative's members.

In 2007, the Cooperative established a feed purchasing program under which the Cooperative purchases organic feed on a volume basis on the "spot market" for such feed, for subsequent resale to those Cooperative members interested in acquiring such organic feed or to hold in inventory for future resale. In addition, the Cooperative created a pool of members who also grow organic grain, contracting with those members to grow organic crops to be used as organic feed. The Cooperative enters into contractual agreements to purchase organic crops with these members. The Cooperative is committed to market those crops, generally to other members of the Cooperative who need to acquire organic feed. The goal of the feed purchase program is to assist the Cooperative's dairy, meat and egg producers in obtaining organic feed (i) in arrangements less subject to volatility than would be available to individual members of the Cooperative and (ii) to provide access to organic feed to its members on a national basis. The Cooperative cannot predict grain and feed prices or the availability of grain and feed to all of the Cooperative's members. To date, approximately 50 members of the Cooperative have produced organic crops for sale through the grower pool program and roughly 500 members of the Cooperative have acquired organic feed through either the feed purchase program or the grower pool program.

The Cooperative's feed purchase program and the grower pool program represent a significant departure from the Cooperative's historic activities of processing and marketing the organic products produced by the Cooperative's members. Instead, the feed purchase program and the grower pool program both involve the Cooperative in supplying necessary inputs to its members through the purchase and subsequent resale of organic feed. The significant financial investment required for such efforts expose the Cooperative to new risks beyond those historically experienced by the Cooperative. The Cooperative expended $17,638,880 in 2015 and $17,115,207 in 2016, to obtain supplies of organic grain and feed for resale. The Cooperative currently expects to spend approximately $16.9 million in 2017 for such grain and feed purchases.

Operation of the organic feed supply programs described above carries certain risks for the Cooperative in addition to those risks described in the preceding paragraphs. It is possible that the Cooperative could experience losses on its transactions in organic feed if the price at which such organic feed can be sold to the Cooperative's members is less than the price at which the Cooperative obtained such organic feed or contracted to purchase such organic feed. The Cooperative's purchase and sales contracts for organic grain and organic feed expose the Cooperative to the risk that a counterparty to a transaction is unable (or unwilling) to fulfill its contractual obligation. Because the grain and feed in question are organic, exchange-traded commodity futures and options contracts are not available for the Cooperative to hedge its exposure to price fluctuations on such grain transactions. The Cooperative continues to analyze, develop and implement policies and procedures to help mitigate the risks associated with the Cooperative's involvement in purchases and sales of organic grain and organic feed. There can be no assurance, however, that such policies and procedures will protect the Cooperative from losses arising from the Cooperative's involvement in purchases and sales of organic grain and feed. As a result, in some circumstances the Cooperative's business and financial condition could be adversely impacted.

Supply and Demand

Fundamental to the Cooperative's business success is its ability to balance its supply of organic raw product and the demand for its finished products. During times of short supply of organic products and increased demand, prices paid to organic producers have risen. The Cooperative has responded to such circumstances by increasing the pay price to its producers and by increasing efforts to recruit new organic members. If the cost of organic raw materials increases, and that cost cannot be passed on to the consumer, it could have an adverse effect on the Cooperative's results. In addition, if the Cooperative is not able to offer a competitive pay price to its members, it may lose members to competitors, which could have an adverse impact on the Cooperative's ability to serve the marketplace and its remaining members, and an adverse effect on the Cooperatives' financial results.

If decreased consumer demand results in an oversupply of organic products, the Cooperative may be forced to sell product on the conventional commodity market, or dispose of it in another manner, while still paying its producers a higher price consistent with the organic methods used in the production of the organic raw products. If necessary, the Cooperative could utilize one of numerous actions to reduce the prices paid to organic producers, which could include quotas, price reductions or institution of additional fees. Additionally, the Cooperative could reduce supply through a supply reduction program or the termination of membership agreements. If competitors are also oversupplied, they may choose to sell products on the organic market for less than the Cooperative is able to sell, resulting in lost sales. If the Cooperative is unable to balance demand for organic products with supply, it could have an adverse effect on the Cooperative's results. If large competitors are able to source organic milk at prices significantly below the Cooperative's prices, they may be able to sell products in the organic market for less than the Cooperative. This could result in lost sales and could have an adverse effect on the Cooperative's financial results.

Managing Growth

The growth of the Cooperative has placed a significant demand on its internal systems and personnel. There is no assurance the Cooperative will be able to continue to maintain or enhance the Cooperative's brands, expand product lines and distribution, manage costs effectively, adapt its infrastructure and modify its systems to accommodate future growth. If the Cooperative does not manage growth effectively, its business, financial conditions and results of operations could be adversely affected.

Corporate Facilities

The Cooperative's major facilities are primarily located in rural communities located in Southwest Wisconsin with a recently acquired processing facility located in the Pacific Northwest. The Cooperative's headquarters building is located in La Farge, Wisconsin (population 746). Additional office buildings and the Cooperative's distribution center are located in Cashton, Wisconsin, (population 1,093), a rural community located 15 miles from the Interstate system. The Cooperative's distribution center is the main warehouse for shipping and receiving the Cooperative's inventory and serves as a warehouse for Organic Logistics' customer products. The Cooperative recently completed construction of a new facility in Cashton, WI next to its distribution center, in which the Cooperative will be able to processes a majority of its cheeses and manufacture and package ghee products. The Cooperative's processing facility in Chaseburg, Wisconsin (population 299) produces the majority of the Cooperative's butter products. Lastly, in November, 2016 the Cooperative acquired a processing facility in McMinnville, Oregon (population 32,187), and approximately 40 miles southwest of Portland, Oregon. Since its acquisition the Cooperative has been renovating, modifying, and upgrading the facility in McMinnville for organic milk handling and storage as well as the manufacture of organic butter and dairy powders. The location of these facilities in rural communities some distance from an interstate highway or major metropolitan areas impacts the Cooperative's transportation costs. In addition, such rural locations may reduce or eliminate the Cooperative's ability to sell or lease the facilities to another business if no longer needed for the Cooperative's activities.

An adverse event at any of the Cooperative's facilities (such as natural disaster, weather, explosion, fire, labor unrest, transportation disruption, or the like) could result in disruption of business operations for a sustained period of time and could adversely affect financial conditions despite our existing business continuity efforts.

Global Climate Change

Increasing climate variability and extreme weather poses risk to the Cooperative's supply chain. Farming operations are vulnerable to adverse weather and climate conditions such as drought, temperature extremes, flooding, and the like; however, the severity and impact can vary and is difficult to predict. Adverse conditions impact production quality and quantity, and increase costs to the producer and the Cooperative. More frequent extreme weather and natural disasters poses risk to Cooperative operations and may have direct or indirect financial impacts. These factors could have an adverse impact on the Cooperative and its financial condition.

Acquisition

The Cooperative may pursue growth opportunities through the acquisition of existing businesses, brands, manufacturing facilities, or other business assets. If the Cooperative chooses to make such an acquisition, integration of the newly-acquired business, facility, or asset into the Cooperative's existing business is not guaranteed to be successful. Any acquisitions not successfully integrated could cause the Cooperative's business, financial conditions and operations to be adversely affected.

With respect to the Cooperative's acquisition of the facility in McMinnville, Oregon in November, 2016, the Cooperative faces a variety of challenges in the first half of 2017 as it works to complete its renovations, modifications, and upgrades to the facility and prepares for and commences business operations. The implementation of management and employment systems and procedures may be difficult for this facility that is located far from the Cooperative's headquarters in Wisconsin. Furthermore, the Cooperative may have issues integrating the facility into the Cooperative's supply chain and product sales and distribution systems, and the Cooperative may find that it needs to modify or realign such systems. There is no assurance that the Cooperative will be able to successfully and profitably integrate the McMinnville facility into its current systems or make the necessary modifications or realignments thereto.

Data Management

The Cooperative relies on a variety of transactional and analytical systems to execute its business processes. Poor quality data could adversely affect business outcomes, and so the Cooperative continually monitors data quality and invests in data management processes and tools.

In light of ever present cyber security threats, the Cooperative has invested in protecting information from unauthorized access, ensuring security to handle physical and electronic threats and archiving historical data. Moreover, a multi-layered strategy has been employed against those threats. If the Cooperative fails to adequately manage and protect its data, the Cooperative's business, financial conditions and results of operations could be adversely affected.

Transportation/Distribution

The Cooperative and its subsidiary, Organic Logistics, LLC (OL), are engaged in the transportation of raw products from farms to processing plants and in the distribution of products from processing plants to distributors and customers. These operations may be potentially hazardous and failure to maintain high levels of safety in these operations could result in negative outcomes, such as fines and penalties for breaches of safety laws, liability payments, and costs to employees or third parties arising from injury or damage, and damage to reputation.

The Cooperative and OL have obtained liability insurance consistent with the Cooperative's understanding of common industry practices. While the Cooperative and OL intend to maintain adequate liability insurance, there can be no assurance that such insurance will continue to be available or that it will be available on terms and conditions acceptable to the Cooperative and OL.

In addition, OL provides freight, transportation and warehousing to third-party companies selling organic and natural foods. The Cooperative attempts to limit its liability in contracts with its customers for loss or damage to their goods. Should the Cooperative experience an increase in claims or an increase in liability pursuant to claims, its financial condition and results could be adversely affected.

Competition

The Cooperative markets its products in a variety of food categories including organic dairy, organic eggs, organic soy, organic meat and organic produce. The Cooperative faces intense competition in all of these categories from organic, natural, and conventional products - competing for consumer dollars, retail shelf space and market share. Some of these competitors have significantly greater financial, marketing, advertising and distribution resources than the Cooperative. Recent significant growth in private label brands has slowed the sales of brands throughout the grocery industry.

The majority of the Cooperative's business comes from the sale of organic dairy products. The largest competitor in the branded organic dairy category is WhiteWave Foods, which was acquired by Danone as of April 12, 2017. Additional competition comes from private label products, where retailers are marketing organic dairy products under their own brand. Most of the major retailers market their own organic dairy products. The Cooperative's primary private label competitor is Aurora Dairy, while additional competition is provided by plants owned by major retailers (captive dairies) including Kroger and Safeway. The Cooperative also has various organic dairy competitors on a regional basis. Regional competitors include: Clover Sonoma located in Petaluma, California; Straus Family Creamery, located in Marshall, California; Natural By Nature, located in Newark, Delaware; Stremick's Heritage Foods, located in Santa Ana, California; Shamrock Foods, located in Phoenix, Arizona; and others.

The Cooperative's most significant competitor on a national basis is WhiteWave Foods, whose primary brands are Silk Soymilk, Horizon Organic ("Horizon") dairy products, Wallaby Yogurt, International Delight creamers, Earthbound Farms produce, and Vega plant based protein powders. WhiteWave Foods has also been a major producer of organic private label milk for key retail markets.On April 12, 2017 Danone announced that it completed its acquisition of the outstanding shares of WhiteWave Foods and Danone indicated its intention to combine the activities of Danone and WhiteWave in North America and operate as a strategic business unit known as DanoneWave. The acquisition of WhiteWave by Danone may impact the competitive and market conditions faced by the Cooperative, but there can be no certainty regarding the nature or magnitude of any such impacts.

Aurora Organic Dairy ("Aurora"), located in Boulder, Colorado, began operations in 2003. Aurora is producing and selling private label organic milk and has minimized certain transportation costs by producing cattle feed in close proximity to its farm and by processing its milk at a manufacturing facility located on its dairy farm. Aurora's lower costs may give it significant advantage that could adversely affect the Cooperative's operations and financial results as relating to private label sales.

Certain non-organic food manufacturers have entered or expressed significant interest in the organic foods segment. This includes the General Mills Corporation, Kraft Foods, Inc., Nestle, and Unilever. If food conglomerates create or acquire organic brands, they would be able to dedicate far more resources to product marketing than the Cooperative and could control significant market share which may adversely impact the Cooperative's ability to compete in the marketplace.

The Cooperative's organic soy products compete with organic and conventional non-dairy beverage products. Major competitors include WhiteWave Foods (now owned by Danone), the Hain Celestial Group, and Stremick's Heritage Foods. Some of these companies may possess significantly greater marketing and financial resources.

Major competition for the Cooperative's organic produce includes: Earthbound Farms, owned by White Wave Foods, which itself is now owned by Danone, Cal-Organic, private label brands, and local organic growers and greenhouses.

The Cooperative's national competitors in the organic egg sector are Eggland's Best and Pete & Gerrys. Regional competitors include Clover Sonoma, located in Petaluma, California; Chino Valley Ranchers, located in Arcadia, California; The Country Hen, located in Hubbardston, Massachusetts; Born Free, located in Watertown, Massachusetts; and others.

The Cooperative's organic meat products manufactured and marketed by its fully-owned subsidiary, OMC LLC (OMC), compete with conventional, natural, and organic meat products. Competing products in includes products manufactured by non-organic food producers such as Hormel, IBP, Inc., Excel Corporation, Swift & Company and Tyson Foods, Inc. and natural and organic producers including Coleman's Natural Meats and Hormel under its Applegate brand. There are a growing number of organic meat product competitors, and the natural meat competitors are quite prevalent in this segment. The Cooperative cannot guarantee that OMC will be able to compete successfully or that competition in any of its product markets will not result in price reductions or in decreased retail distribution or consumer demand for its products.

Slotting Fees and Promotional Allowances

Slotting fees and promotional allowances have been managed within a specific budgeted percentage of sales. There can be no assurance that the Cooperative will not have to pay substantial slotting fees and promotional allowances for its products in the future. If such allowances increase significantly, it may have an adverse impact on the Cooperative's cost of sales and gross margin. Promotional allowances generally result in higher gross volume of sales and are used for this purpose and to drive trial and awareness and increase consumer brand loyalty.

Consumer Preferences

The Cooperative's success is dependent on its ability to offer products that satisfy the tastes and dietary habits of consumers and appeal to their preferences on a timely and affordable basis. The Cooperative's growth has been due, in large part, to increased consumer awareness of and a growing consumer preference for organic products over the Cooperative's history. The Cooperative believes that the Organic Valley brand image is based largely on the perception that the Cooperative has high quality organic products that are produced regionally with environmentally responsible, sustainable methods.

The demand for organic food is subject to changing consumer trends, demands and preferences. If the Cooperative fails to anticipate, identify or react to these changes, it could lead to, among other things, reduced demand and price reductions, which could have a material adverse effect on its business. The Cooperative plans to enter new product lines and introduce additional products, however, there is no assurance these new products will be accepted by consumers.

United States Dairy Support Program and Federal Milk Marketing Order Program

The federal government regulates farm milk pricing through federal market orders and dairy support programs, and state governments can regulate farm milk pricing by establishing their own market order programs, or by forming compacts that establish minimum prices for milk. As a result of these regulations, the Cooperative must pay "pooling" and other charges under the support programs and administrative assessments for government-mandated marketing programs. These pooling and administrative charges are assessed retroactively on a monthly basis and are not known or predictable with certainty, in advance. The Cooperative's financial statements include reserves for these charges. If these charges increase to levels higher than the Cooperative anticipates, the cost of sales and gross margin would be negatively affected.

Federal, State and Local Regulations

The Cooperative's business operations and products are subject to a variety of Federal, State and Local Regulations, including, but not limited to those regulating organic standards, food safety, packaging and labeling, occupational health and safety, and environmental matters. Please see the Risk Factor entitled "Organic Standards and National Organic Program" on page 14 for a discussion of organic standards; the following paragraphs of this section deal with other laws and regulations that impacts the Cooperative.

As a manufacturer and distributor of food products, the Cooperative is subject to a number of food-related regulations, including the Federal Food, Drug and Cosmetic Act and regulations promulgated thereunder by the U.S. Food and Drug Administration (FDA). This comprehensive regulatory framework governs the manufacture (including composition and ingredients), labeling, packaging and safety of food in the United States. The FDA regulates manufacturing practices for foods through its current Good Manufacturing Practices regulations,

specifies the standards of identity for certain foods, including many of the products the Cooperative sells, and prescribes the format and content of certain information required to appear on food product labels.
The FDA also enforces the Public Health Service Act and regulations issued thereunder, which defines regulatory activity necessary to prevent the introduction, transmission or spread of communicable diseases. These regulations require, for example, pasteurization or heat treatment of milk and milk products. The Cooperative is subject to numerous other federal, state and local regulations involving such matters as the licensing of dairy manufacturing facilities, enforcement by government health agencies of standards for our products, inspection of our facilities, and regulation of our trade practices in connection with the sale of food products. To monitor product quality at the manufacturing facilities, the Cooperative requires quality control programs to test products during various processing stages. The Cooperative believes that its facilities and manufacturing practices comply with all government regulations. All of the Cooperative's dairy processors maintain and or utilize third party laboratories to test raw milk, other ingredients and finished products. Product quality and freshness are essential to the successful retail distribution of refrigerated milk and dairy products. To assure product quality at these facilities, the Cooperative requires quality control programs to test/monitor products during various processing and packaging stages. Each dairy manufacturing facility also has its own staff of technicians who monitor products to maintain high quality formulations and to protect against contamination.

In addition, the Food Safety Modernization Act of 2011 ("FSMA") gives the FDA a range of authority designed to focus the efforts of FDA on preventing food safety problems rather than relying primarily on reacting to problems after they occur. The law provides FDA with enforcement authority designed to achieve a higher rate of compliance with prevention and risk-based food safety standards and to better respond to and contain problems when they do occur. The increased inspections, mandatory recall authority of the FDA, and increased records access may have an impact on the Cooperative's business. The Cooperative has implemented hazard prevention controls and other procedures that the Cooperative believes comply with the FSMA. Additional rulemaking under the FSMA and other applicable laws could, among other things, require the Cooperative to amend certain of the Cooperative's operational policies and procedures. Such changes could result in additional compliance costs to the Cooperative or its suppliers or processors, which could have a material adverse impact on the Cooperative and its financial condition.

The Cooperative is subject to certain health and safety regulations, including regulations issued pursuant to the Occupational Safety and Health Act of 1970, as amended. These regulations require the Cooperative to comply with certain manufacturing, health and safety standards. Compliance with existing or new regulations may require the Cooperative to make significant capital expenditures and to incur higher costs.

The Cooperative and its co-processors' operations are subject to extensive federal and state laws and regulations with respect to water and air quality, water usage and other similar environmental matters. There can be no assurance that future changes in the environmental laws or regulations will not increase the costs incurred by the Cooperative to operate its business. In particular, if federal and state requirements for air and water quality become more stringent, the Cooperative and its co-processors could be required to either revise operational procedures or make additional capital expenditures to allow compliance with any such revised environmental requirements. Such revisions of operational procedures or additional capital expenditures could increase the Cooperative's costs and, therefore, have a material adverse impact on the Cooperative's financial condition.

The repeal of laws or regulations, or more stringent interpretations of current laws or regulations, could occur from time to time in the future. The Cooperative cannot predict the nature of such future laws, regulations, interpretations or applications, nor can it predict what effect additional government regulations or administrative orders, when and if promulgated, would have on business in the future. Such laws could, however, require the reconfiguration of production, processing and transportation methods of products, including but not limited to more onerous food safety, labeling, and packaging requirements; increased compliance regulations for waste management; increased transportation costs; higher costs under the Federal Milk Marketing Order System or similar state or regional programs; and greater uncertainty in production and sourcing estimates. Any of these factors could have a material adverse impact on the Cooperative and its financial condition.

Key Employees

The Cooperative's success is significantly dependent on the retention of certain key executives. The loss of any of the key executives could have a negative effect on the Cooperative's business and financial future. Continued success of the Cooperative is dependent on its ability to recruit and obtain qualified management and other personnel, as well as planning for succession of all key executives. There is strong competition for such employees, and the Cooperative cannot guarantee its future success in their recruitment or retention. The rural location of the Cooperative's facilities could make the attraction and retention of qualified management and other personnel more of a challenge.

The Board of Directors has negotiated and executed contracts with two members of executive management who are also officers of the Cooperative, as listed in the management section. Among other things, the contracts guarantee each executive two years of employment in exchange for a contractual commitment precluding employment with a competitor for a period of two years after termination of the contract. The contracts became effective January 1, 2005 and are renewable annually by resolution of the Board of Directors and agreement by the management executives.

Financial Results

The Cooperative's revenue and results of operations are difficult to predict. The Cooperative has experienced, and expects to continue to experience, fluctuations in operating results from year to year. As a result, the Cooperative believes that year-to-year comparisons of its revenue and operating results may not be accurate indicators of future performance.

Organic dairy products comprise the majority of the Cooperative's business. If the supply of organic milk is greater than the demand and the Cooperative is unable to convert its excess supply into other dairy products, the Cooperative may be forced to sell excess milk to the non-organic market for prices lower than the Cooperative originally paid. If there is an increase in production costs or increased sales of excess milk, the Cooperative will experience a decrease in gross margins.

Reliance on Key Customers

The Cooperative's top five customers collectively accounted for 46.2% of sales in 2016. A significant disruption or discontinuation of business of any of these relationships could adversely affect the Cooperative's financial condition.

One of the Cooperative's significant relationships is with Stonyfield Farm, Inc., of Londonderry, New Hampshire (Stonyfield Farm). The Cooperative's relationship with Stonyfield Farm is embodied in two agreements, a Supply Agreement and a Manufacturing and Licensing Agreement. Under the Supply Agreement, first executed in 1997 and renegotiated in 2007, the Cooperative is Stonyfield Farm's supplier of certified organic dairy products for use in Stonyfield Farm's line of yogurt products, drinkables, and ice cream. The Cooperative's sale of organic dairy products to Stonyfield Farm represented 9% of the Cooperative's 2016 total dairy sales and 16.8% of the Cooperative's 2016 milk supply.

Under the License and Manufacturing Agreement, executed in 2009, Stonyfield Farm has granted to the Cooperative an exclusive license to the Stonyfield brand for fluid milk products manufactured by the Cooperative and sold in the United States. The Cooperative's sale of Stonyfield branded fluid milk products represented 6.8% of the Cooperative's 2016 total dairy sales and 6.3% of the Cooperative's 2016 milk supply; 7.1 % and 6.3% in 2015, and 7.5% and 7.2% in 2014, respectively. In 2016, the Cooperative paid Stonyfield Farm $1,614,827 in royalty fees pursuant to the agreement, $1,807,627 in 2015 and $1,743,610 in 2014.

Stonyfield Farm, founded in 1983, sold a portion of its shares to Danone in 2001. In 2004, Danone increased its ownership until, in 2014, it acquired the remainder of Stonyfield F arm's outstanding shares and Stonyfield Farm became a wholly-owned subsidiary of Danone. On July 7, 2016 Danone announced that it entered an agreement to acquire WhiteWave Foods Company, subject to approvals, including regulatory approvals in both Europe and the U.S. On April 3, 2017 the U.S. Department of Justice announced that Danone would be required to divest of its Stonyfield Farm business in order to proceed with its acquisition of WhiteWave. Danone agreed to the divestiture, which is to occur within months of the acquisition. On April 12, 2017 Danone announced that it completed its acquisition of WhiteWave and is combining the activities of Danone and WhiteWave in North America to operate as a strategic business unit named "DanoneWave." As of the date of this Offering Circular, Danone has not announced a purchaser of the Stonyfield Farm business.

Pursuant to the Supply Agreement, Stonyfield Farm purchases certified organic milk and non-fat dry milk (NFDM) powder, and the Cooperative is obligated to deliver forecasted amounts of certified organic milk and NFDM powder. Either party may terminate the agreement subject to the notice period provisions contained in the Supply Agreement. If notice of termination is delivered, the contract will continue with progressively reduced purchase and sale requirements over a 48 month period. A reduction in the amount of certified organic milk and NFDM powder sold by the Cooperative to Stonyfield Farm for any reason, including either the loss of Stonyfield Farm as a customer or the adoption of changes in strategy or business practices by Stonyfield Farm or its owner (or new owner). could result in a significant decrease in the volume of the Cooperative's fluid milk and NFDM powder sales. Any such volume decrease could have a material adverse effect on the business operation and financial results of the Cooperative. Although the Cooperative believes it would eventually be able to find other customers for the certified organic milk and NFDM powder now sold to Stonyfield Farm, even a temporary reduction in the volume of the Cooperative's fluid milk and NFDM powder sales could have a material adverse effect on the business operations and financial results of the Cooperative.

Under the Manufacturing and Licensing Agreement, the Cooperative is currently manufacturing six SKUs of Stonyfield branded products. Stonyfield Farm has the right to terminate this agreement if the Cooperative fails to perform in certain aspects, such as maintaining sales or assuring the quality of the products. If Stonyfield Farm terminates the agreement, the Cooperative would continue to be responsible for marketing milk supplied by its members but would not have the market outlet provided by sales of fluid milk products under the Stonyfield brand. In such a situation, if the Cooperative were unable to develop new market outlets for its fluid milk, it could suffer a material adverse impact on its business operations and financial condition.

The Cooperative also has a key relationship with United Natural Foods, Incorporated (UNFI). UNFI is the leading national distributor of natural and organic foods, specialty foods, and related products in the United States and Canada and provides services for retailers and manufacturers, including marketing and promotions, merchandising, category management, and store support services. The Cooperative uses UNFI to access important markets and independent cooperative retailers. In 2016, the UNFI relationship generated 23.3% of the Cooperative's sales, compared to 21.1% in 2015 and 19.6% in 2014. If UNFI were to significantly reduce the amount of product purchased, the Cooperative could suffer a material adverse impact on its business operations and financial condition.

HTST Joint Venture – Organic Valley Fresh, LLC

In November, 2016, the Cooperative entered into an agreement with Dean Foods Company to create a new limited liability company called Organic Valley Fresh, LLC for the initial purpose of processing, distributing, marketing and selling HTST organic dairy and related products under both the Organic Valley brand and under private labels. As the only two members of the LLC, the Cooperative and Dean Foods each own a 50% economic interest and generally hold equal governance rights, with each appointing three members to Organic Valley Fresh's six-member board of managers. The business operations of Organic Valley Fresh are expected to commence in the second quarter of 2017, and will involve Dean Foods providing processing plant services and distribution through its extensive direct store delivery distribution network; and the Cooperative providing access to its organic milk supply, a portfolio of recognized brands and products, and marketing expertise. Both members will apply their extensive sales experience across various channels to drive distribution and sales. While the Cooperative is confident that the joint venture will provide significant benefits to the Cooperative's business, there are potential risks associated with the joint venture. Prior to the joint venture, the Cooperative's HTST business has represented a significant portion of both the supply of milk from the Cooperative's members and the Cooperative's revenues. In recent years, approximately 17% of the Cooperative's total milk supply in each year has been devoted to HTST products, with the sale of those products generating approximately 14% of the Cooperative's total annual revenues. In addition, the Cooperative's expectations (as reflected in its 2017 budget) project that Organic Valley Fresh will become one of the Cooperative's ten largest customers. Given the significance of the HTST business to the Cooperative, any delays, interruptions or other difficulties in transitioning from the Cooperative's current HTST business arrangements to operation of the HTST business through Organic Valley Fresh could adversely impact the Cooperative's financial performance in 2017 and beyond.

Additionally, although the Cooperative believes that the joint venture's access to Dean Food's extensive direct store delivery distribution network will allow it to maintain current sales levels and financial results while also creating additional sales opportunities, there is no guarantee this strategy will be effective. Conversely, if the joint venture is successful in growing the Cooperative's HTST business, Organic Valley Fresh will have to manage sales growth effectively to avoid adverse impacts on the Cooperative's business, financial condition and results of operations.

Under the terms of the Organic Valley Fresh agreements over the course of the next few years, the Cooperative will transition a significant portion of its third-party HTST milk processing to plants owned by Dean Foods. The Cooperative expects to achieve lower co-packing costs and also believes the arrangements with Dean Foods and Organic Valley Fresh pursuant to the Co-Packing Agreement will improve processing efficiency and reduce costs in the production of HTST products. However, there can be no assurance such processing improvements will be realized.

Reliance on Third Party Processors

The Cooperative maintains and operates three Cooperative-owned processing facilities, utilizes the services of two processing facilities owned by two subsidiaries, Lorentz Etc., Inc. and Dombrovski Meats Company, and utilizes the services of approximately 90 independent, third-party processing facilities. Although the Cooperative has taken significant steps to ensure there are other plants available in which to process its products in the event that one or more of its current processing plants becomes unavailable, the Cooperative could be materially and adversely impacted if such processing capacity is not available or not available to the Cooperative on acceptable terms.

In addition, the Cooperative relies upon its third-party processors to maintain organic certification, operate within federal and state regulations, and produce safe products. If any of its third-party processors fail to comply with any of the above, it may result in product liability and/or negative publicity which could adversely affect the Cooperative.

New Markets

The Cooperative has historically entered, and plans to continue to enter, into new business markets in which it may have limited experience. There can be no assurance that the Cooperative will be successful in entering these new markets. If the Cooperative fails to effectively manage the new business lines, it may have a material adverse effect on the Cooperative's business, brand name and financial operations.

Legal Proceedings

From time to time and in the ordinary course of its business, the Cooperative is named as a defendant in legal proceedings related to various issues, including worker's compensation claims, tort claims and contractual disputes. Other than such routine litigation, the Cooperative is not currently involved in any material legal proceedings. In addition, the Cooperative is not currently aware of other potential claims that could result in the commencement of legal proceedings that would have a material adverse effect on the financial results of the Cooperative. The Cooperative carries insurance that provides protection against certain types of claims, up to the policy limits of the Cooperative's insurance. If the Cooperative is held liable on a claim for which it does not have adequate insurance coverage, it may have an adverse impact on the Cooperative's financial condition and results.

Limitations on Directors' Liabilities

The Cooperative's Articles of Incorporation and Bylaws provide, as permitted by Wisconsin Statutes Chapter 185, that directors and officers cannot be held personally liable for certain breaches of duty. Please see "Description of Securities—Indemnification" below for a detailed discussion of those limitations on directors' liabilities.

Tax Treatment

Subchapter T of the Internal Revenue Code sets forth rules for the tax treatment of cooperatives and applies both to cooperatives exempt from tax under Section 521 of the Internal Revenue Code and to non-exempt corporations operating on a cooperative basis. The Cooperative has obtained a determination letter from the Internal Revenue Service indicating the Cooperative is exempt from taxation under Section 521 of the Code. Subchapter T and Section 521 provide two different sets of deductions to eligible cooperatives. Under Subchapter T, the Cooperative is not taxed on amounts of income withheld from its members in the form of qualified per-unit retains or on amounts distributed to its members in the form of qualified written notices of allocation. Further, under Section 521, the Cooperative may deduct payment of dividends on its stock and payment of non-patronage income to its patrons.

The Cooperative intends to treat the Class E, Series 4 Stock for sale pursuant to this Offering as equity of the Cooperative for federal income tax purposes. Accordingly, dividends will generally be included in the shareholder's income when received. It is possible that the Internal Revenue Service could attempt to re-characterize the Class E, Series 4 Stock as debt for federal income tax purposes. If the Internal Revenue Service were to successfully re-characterize the Class E, Series 4 Stock as debt, it is possible that certain shareholders may be required to recognize imputed interest income for a taxable year even if the Cooperative does not make dividend distributions during such taxable year.

At any time, the Internal Revenue Service could challenge the Cooperative's status as a cooperative eligible for the deductions available under Subchapter T. If the Service were successful in challenging the Cooperative's status as a cooperative, the Cooperative would not be entitled to deduct payment of dividends on its stock, payment of non-patronage income to its members, or payment of patronage sourced dividends distributed to its patrons. The Cooperative would be subject to the federal corporate income tax on its net income. Additionally, distributions to shareholders may also be subject to tax as dividends to the recipient shareholders, depending on whether the Cooperative has current or accumulated earning and profits at the time of the distribution. Taxation at both the Cooperative and shareholder levels could have a material and adverse impact on the Cooperative and its shareholders.

Alternatively, at any time, the Internal Revenue Service could challenge the Cooperative's status as a cooperative that is exempt from taxation under Section 521 of the Code (without challenging the Cooperative's eligibility under Subchapter T). If the Service were successful in challenging the Cooperative's status under Section 521 of the Code, the Cooperative would not be entitled to deduct payment of dividends on its stock and payment of non-patronage income to its patrons. This could have a material and adverse impact on the Cooperative and its shareholders.

Limited Transferability, Marketability and Redemption

The purchase of Shares should be considered a long-term investment by each prospective purchaser. There is currently no market for the Shares. It is not anticipated that a general public market for the Shares will develop due to the limitations on transfer.

The Cooperative reserves the prior right to acquire any Class E, Series 4 Stock offered for sale by any shareholder, or the right to recall the Class E, Series 4 Stock of any shareholder. The purchase price for any Shares recalled will be the par value of the Stock plus any accrued unpaid dividends. If book value of the Stock is less than par value, then the consideration shall be book value. The Shares can only be transferred with the consent of the Board of Directors except under certain circumstances (see "Sale and Transfer of Shares," page (46). The Cooperative has a right of first refusal on the sale of the Shares.

Holders of Class E, Series 4 Stock may request that the Board of Directors redeem their Shares at any time. Any redemption requests may be accepted or rejected at the sole discretion of the Cooperative's Board of Directors.

Determination of Share Price

The offering price for the Shares was established arbitrarily by the Cooperative and bears no relationship to the book value of the Cooperative's existing assets, its past earnings record, its net worth, any independent appraisal or valuation or any other financial criteria of value. The Cooperative makes no representations, whether express or implied, as to the value of the Shares offered hereby.

USE OF PROCEEDS

The capital raised from this offering will be used for repayment of debt and for other general corporate purposes. The Cooperative's operating plans, financing needs and use of proceeds from this offering are subject to change in the judgment of the Board of Directors of the Cooperative depending on, among other things: market conditions and opportunities, business and cash flow projections, and other factors that might affect the Cooperative. Pending utilization, net proceeds from the offering will be invested in short-term interest bearing investment grade securities, certificates of deposit, or other money market instruments.

CAPITALIZATION

THE FOLLOWING TABLE SETS FORTH THE COOPERATIVE'S CAPITALIZATION AND IS SHOWN AS OF APRIL 30, 2017 AND REFLECTS AUDITED NUMBERS FOR DECEMBER 31, 2016.

	April 30, 2017		December 31, 2016	
	Financials	**Shares**	**Financials**	**Shares**
Class E, Series 1 Preferred Stock, $50 par value	$ 89,768,528	1,795,370.55	$ 85,265,324	1,705,306.48
Class E, Series 2 Preferred Stock, $50 par value	-	-	-	-
Class C Preferred Stock, $50 par value	-	-	-	-
Class B Preferred Stock, $50 par value	25,975,707	519,514.14	25,643,751	512,875.02
Class A Common Stock, $25 par value	49,200	1,968.00	49,625	1,985.00
Total Stock	$ 115,793,435	2,316,852.69	$ 110,958,700	2,220,166.49
Class B Stock - Subscriptions	3,528,308		4,579,879	
Class B Stock - Subscriptions Receivable	(3,528,308)		(4,579,879)	
Pool Equities	3,036,252		3,007,242	
Patronage Refunds for Reinvestment	-		-	
Unallocated Capital Reserve	63,551,618		64,550,547	
Accumulated Other Comprehensive Income	412,570		1,694,189	
Total Controlling Interest	182,793,875		180,210,678	
Non Controlling Interest in Subsidiary	1,334,179		1,663,131	
Total Capitalization	**$ 184,128,054**		**$ 181,873,809**	

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DESCRIPTION OF BUSINESS

Organic Food Market Overview

According to the latest Organic Trade Association's Organic Industry Survey Report of 2016, the U.S. organic industry posted records in 2015, with total organic product sales hitting a new benchmark of $43.3 billion, up 11% from 2014, and far outstripping the overall food market's growth rate of 3 percent.

The organic industry saw its largest annual dollar gain ever in 2015, adding $4.2 billion in sales, up from the $3.9 billion in new sales recorded in 2014. Of the $43.3 billion in total organic sales, $39.7 billion were organic food sales, up 11 percent from the previous year, and non-food organic products accounted for $3.6 billion, up 13 percent. Nearly 5 percent of all the food sold in the U.S. in 2015 was organic.

Organic Fruits & Vegetables retained its longstanding spot as the largest of all the major organic categories with sales of $14.4 billion, up 10.5 percent. The Cooperative believes that use of organic produce continues to be a gateway to increased consumer consumption of organic products generally. Almost 13 percent of the produce sold in the U.S.is now organic.

The demand for fresh organic product was most evident in the continued growth of "fresh juices and drinks," which saw explosive growth of 33.5 percent in 2015, making it the fastest-growing of all the organic subcategories. The fastest-growing of the eight major organic categories was condiments, which crossed the $1 billion mark in sales for the first time in 2015, on 18.5 percent growth.

Dairy, the second biggest organic food category, accounted for $6.0 billion in sales, an increase of over 10 percent. Dairy accounts for approximately 15 percent of total organic food sales.

Organic meat sales reached $846 million in 2015, with organic poultry being the largest of the organic meat categories with $495 million in sales. Organic beef followed with sales of $211 million. Protein and special diets continue to be popular which has driven innovation in meat-based snacking.

The growth in the organic market did not come without continued challenges to the supply chain. Dairy and grains were two areas where growth could have been more robust in 2015 if greater supply had been available. There is an industry-wide understanding of the need to build a secure supply chain to support demand and to secure more organic acreage, develop programs to help farmers transition to organic production, and encourage new farmers to farm organically.

Strategy

The Cooperative intends to increase its sales and earnings and also increase the number of certified organic farmer members. The Cooperative has identified a number of strategic initiatives that it believes will assist in its efforts to achieve its goals. Those strategies are summarized in the following paragraphs.

Increase Sales of Branded Products

The largest segment of the Cooperative's business is the sale of fluid milk and milk powder, including the sale of branded and private label products. While such private label sales are a vital part of the Cooperative's business, the sale of its branded products consistently offers the highest profit margin and financial benefit to the Cooperative and is therefore its primary focus. The Cooperative's goal is to increase the overall sales of its branded products both domestically and internationally. The Cooperative believes there is opportunity to increase sales of its branded products by expanding distribution in current retailers, adding new retailers, adding new classes of trade including drugstores, convenience stores, health and wellness facilities, club stores, and food service distributors. The Cooperative is seeking to increase the sales rate of products currently in distribution through focused trade events, advertising, promotion, and public relations. The Cooperative has dedicated resources to creating new products in order to increase the branded presence in all classes of trade. The Cooperative also has dedicated resources to targeted media markets and is engaged in interactive, radio and direct print advertising to targeted markets and continues to utilize social media. The Cooperative intends to expand this presence as a means of increasing consumer awareness of its branded products.

Enhance the Image and Increase Consumer Awareness of Branded Products

The Cooperative believes its distinctive product packaging with regional identification and family farmer profiles, together with its consumer marketing and outreach programs will continue to increase brand awareness and positioning and build consumer loyalty.

Introduce New Organic Products in Existing and New Product Categories

The Cooperative believes its brands can be extended to new products in existing and new organic product categories. The product development strategy is to continue to create branded organic counterparts to popular non-organic foods.

Strengthen Partnerships with Members and Processors

The Cooperative works closely with its members to manage the supply of organic fluid milk and to continue to procure new organic farmer membership when needed. The Cooperative carefully selects its processors to achieve the highest quality products with the best customer service.

Increase Private Label and Ingredient Sales of Fluid Milk and Milk Products

The Cooperative intends to expand its sales of private label and ingredient sales with existing customers and to expand its sales to new customers. The Cooperative continues to seek increased ingredient sales and from time to time considers joint ventures, licensing agreements and other strategies to expand this segment.

Marketing

The principal marketing objective of the Cooperative is to attract and retain consumers to Organic Valley, Mighty Organic and Organic Prairie branded products, as well as organic fluid milk products under the Stonyfield brand, which the Cooperative uses under license from Stonyfield Farms, Inc. Together sales of these branded products represent an important portion of the Cooperative's income. The Cooperative's brands are positioned as a trusted food source that represent premium quality products, industry-leading organic food production standards, preservation of family farming and rural life, cooperative ownership principles, animal husbandry best practices, and environmental stewardship. They are promoted as premium quality alternatives to both organic and non-organic foods. It is an objective of the Cooperative that consumers recognize the Cooperative's labels as representative of safe and high quality organic food.

The Cooperative also produces private label products and sells bulk product to industrial and ingredient customers who manufacture organic products; however, the majority of the Cooperative's marketing resources are dedicated to Organic Valley, Mighty Organic, Organic Prairie, and Stonyfield product promotion.

Organic Valley milk has a regional marketing focus to emphasize its localized milk production. The Cooperative offers five distinct regional organic milks serving the Midwest, California, the Northwest, New York and the greater Northeast. Each regional carton features a photo of a farm family from that region. This strategy offers consumers the opportunity to buy locally produced milk and support organic farmers in their region.

The Cooperative supports its brands through a variety of activities and programs, including advertising, packaging, farmer outreach, consumer events and education, trade events and interactive media. Efforts are national, regional, or local in scope, depending on the specific marketing objectives of the program. The Cooperative's farmers play an essential role in the Cooperative's marketing efforts by representing the Organic Valley,Organic Prairie and Mighty Organic brands through in-store product sampling, consumer educational venues, and as speakers at conferences, community events and trade shows.

The Cooperative also uses various consumer outreach vehicles. Organicvalley.coop, organicprairie.coop, mightyorganic.com, drinkorganicfuel.com, farmers.coop, and rootstock.coop are primary websites, and numerous micro-sites are customized for specific products or campaigns. Organic Valley, Organic Prairie and Mighty Organic Facebook pages, Twitter accounts and additional social media accounts are customized for specific products or campaigns to support marketing goals and enhance consumer education. The Cooperative sends a combination of printed and electronic newsletters to subscribers across the country via Farm Friends, Rootstock and shareholder publications. Printed educational pamphlets and reports are also distributed at consumer and trade marketing events on a regular basis.

The Cooperative's recent advertising initiatives leverage social media, online media, point of sale, public relations, sampling and retailer specific programming. The Cooperative also runs interactive ads, terrestrial and internet based radio ads, print ads in various in-store magazines and in national and regional publications and has full color ads on its product trucks, semitrailer trucks and trucks in other partnering fleets in various metropolitan areas.

The Cooperative partners with mission-aligned non-profits and other organizations that address issues associated with health and nutrition, family farming and the environment. Some of these organizations include Farm Aid, Environmental Working Group, The National Farm to School Network, Wholesome Wave Foundation, and Ecotrust.

HTST Joint Venture – Organic Valley Fresh, LLC

In November, 2016, the Cooperative entered into an agreement with Dean Foods Company to create a new limited liability company called Organic Valley Fresh, LLC for the initial purpose of processing, distributing, marketing and selling HTST organic dairy and related products under both the Organic Valley brand and under private labels. As the only two members of the LLC, the Cooperative and Dean Foods each own a 50% economic interest and generally hold equal governance rights, with each appointing three members to Organic Valley Fresh's six-member board of managers. The business operations of Organic Valley Fresh are expected to commence in the second quarter of 2017, and will involve Dean Foods providing processing plant services and distribution through its extensive direct store delivery distribution network; and the Cooperative providing access to its organic milk supply, a portfolio of recognized brands and products, and marketing expertise. Both members will apply their extensive sales experience across various channels to drive distribution and sales.

Direct Sales, Broker Network, and Distribution Coverage

The Cooperative has an established sales team of internal and field-based employees focused on promoting and selling the Cooperative's products in all regions. The mission of the sales team is to increase sales and margin of all the Cooperative's products by establishing, maintaining, developing and enhancing relationships in all classes of trade in which the Cooperative competes. Such classes of trade for the sale of branded products include natural foods, supermarkets, mass merchandisers, food service, club, convenience and military retailers. The ingredient division sells processed and raw materials to other consumer packaged goods companies and manufacturing enterprises. In addition, the sales team offers guidance to the marketing department on product research and development and provides sales forecasts to assist with both short and long term strategic supply and demand planning.

The sales team also coordinates the efforts of independent brokers. The Cooperative contracts with brokers operating in all 50 states and internationally, including Canada, Mexico, the Middle East and Asia. Specialized brokers are also utilized for ingredient and food service sales. The retail brokers provide store coverage to ensure product placement and assist in maintaining category management and planning with retailer headquarter and regional offices. The brokers represent the Cooperative's brands and are compensated based on a percentage of their net sales revenue. The Cooperative's products are principally distributed on third party trucks. Product is delivered to customer-owned warehouses or to distributors who deliver product to retailers and other customers. Working together with third-party handlers, the Cooperative has established and maintained an on-time delivery rate of 98% and a product fill rate of 98%.

The largest customers of the Cooperative for branded and private label product are UNFI (servicing Whole Foods and independent cooperative retailers), Publix Supermarkets, Trader Joes, and Costco. The Cooperative also supplies DeCA (Defense Commissary Agency) for the distribution of organic dairy products and meats to eligible military commissaries domestically and globally. The Cooperative is currently exporting branded products and raw materials to 27 countries.

The Cooperative's joint venture with Dean Foods, Organic Valley Fresh LLC, will use the sales efforts of both the Cooperative and Dean Foods commencing in the third quarter of 2017 to promote and sell HTST (high temperature short duration processed) products on behalf of Organic Valley Fresh, with the Cooperative leveraging its sales experience in the natural channel, emerging markets, and specialty distributors, and with Dean Foods leveraging its sales experience in large format, dollar and convenience stores.

Competitive Analysis

The Cooperative markets its products in a variety of food categories including organic dairy, organic eggs, organic soy, organic meat and organic produce. The majority of the Cooperative's business comes from the sale of organic dairy products. The Cooperative faces intense competition in all of these categories from organic, natural, and conventional products—competing for both consumer dollars and shelf space. Some of these competitors have significantly greater financial, marketing, advertising and distribution resources than the Cooperative. Recent significant growth in private label brands has slowed the sales of branded products throughout the grocery industry. The Cooperative sells private label products to select national customers. Private label represents more than 14.6% of the Cooperative's sales of packaged consumer products.

The largest competitor in the branded organic dairy category is also a dominant competitor in the conventional dairy category - WhiteWave Foods with its headquarters located in Broomfield, Colorado. WhiteWave Foods' primary brands are Silk Soymilk, Horizon Organic ("Horizon"), and International Delight creamers. On April 12, 2017, Danone announced that it had completed its acquisition of all of the outstanding shares of WhiteWave and intended to combine the activities on Danone and WhiteWave in North America and operate as a strategic business unit known as DanoneWave.

Additional competition comes from private label, where retailers are marketing organic dairy products under their own brand. Most of the major retailers market their own private label organic dairy products. The Cooperative processes and sells organic dairy products to such retailers, but competes with a variety of other suppliers of private label products.

The Cooperative's primary private label competitor is Aurora Dairy. Aurora Organic Dairy ("Aurora"), located in Boulder, Colorado began operations in 2003. Other private label competitors include: Kroger and Safeway, major grocery stores who own their own dairy processing plants. The Cooperative also has various organic dairy competitors on a regional basis. Those competitors include Clover Sonoma located in Petaluma, California; Straus Family Creamery, located in Marshall, California; Natural By Nature, located in Newark, Delaware; Stremick's Heritage Foods, located in Santa Ana, California; Shamrock Foods located in Phoenix, Arizona; and others.

Certain non-organic food manufacturers have entered or expressed significant interest in the organic foods segment. This includes, General Mills Corporation, Kraft Foods, Inc., Nestle, and Unilever.

The Cooperative's organic soy products compete with organic and conventional non-dairy beverage products. The major competitors include Danone/WhiteWave Foods, the Hain Celestial Group, and Stremick's Heritage Foods.

Major competition for the Cooperative's organic produce include Earthbound Farms, Cal-Organic, private label brands and local organic growers and greenhouses.

The Cooperative's national competitors in the organic egg sector are Eggland's Best and Pete & Gerrys. Regional competitors include Clover Sonoma, located in Petaluma, California; Chino Valley Ranchers, located in Arcadia, California; The Country Hen, located in Hubbardston, Massachusetts; Born Free, located in Watertown, Massachusetts; and others.

The Cooperative's organic meat products compete with conventional, natural, and organic meat products, including products manufactured by non-organic food producers such as Hormel, IBP, Inc., Excel Corporation, Swift & Company and Tyson Foods, Inc.; and natural and organic producers including Coleman's Natural Meats and Hormel under its Applegate brand. Natural meat competitors are quite prevalent in this market segment.

Product Development

The Cooperative has a record of successful product introductions. The Cooperative offers a full line of branded refrigerated organic dairy products, eggs, produce, and soy products , non-refrigerated (shelf stable) dairy beverages; dry milk protein powder as well as fresh and frozen organic meats and meat products under the Organic Prairie brand. The Cooperative currently maintains over 600 stock-keeping units (SKUs).

The product development strategy is to create branded organic products to meet the demand of the consumer marketplace. The Cooperative utilizes an integrated Web survey process to evaluate consumer interest in a variety of products. Internally, it can take from 3-15 months to execute new product idea from concept to commercialization. The product development process , our processing pilot and sensory labs are managed by internal staff while plant partners often assist in larger plant trials. Consumer testing is often performed and evaluated prior to new product rollout.

Simultaneously with the expansion of products for the retail industry, the Cooperative commenced development of ingredient products. The Cooperative currently offers a wide array of bulk items for manufacturers and food service, including specialty cheese, butter, dairy powders and frozen egg products.

Operations

The Cooperative markets over 600 different SKUs manufactured in over 90 processing plants, including those facilities owned and controlled by the Cooperative. The Cooperative utilizes close to150 contracted transport carriers and 50 bulk carriers that run approximately 109 routes collecting raw product from member farms every day.

Quality assurance and quality control are at the forefront of operational practices of the Cooperative. Quality assurance is the development of plans and protocols to ensure the production of products meet the quality standards of the Cooperative. These standards include such factors as the color of the product, the organoleptic attributes (taste and smell), physical properties (temperature, pH, moisture), and bacteriological properties. Quality control is the evaluation of quality assurance. The Cooperative's products are analyzed at multiple points, beginning at the farm and ending with delivery to its consumer. The Cooperative is in compliance with all current requirements for the Food Safety Modernization Act.

Information Technology

The Cooperative manages the lifecycle of infrastructure and user computing technology by aligning services to business objectives. Based on performance metrics and vendor support availability, our hardware lifecycle has been extended to greater than 5 years. The Cooperative maintains two data centers for data and server redundancy, and utilizes numerous Cloud applications for speed of delivery and increased IT efficiencies and effectiveness for non-mission critical business functions.

Significant Relationships

One of the Cooperative's significant relationships is with Stonyfield Farm, Inc., of Londonderry, New Hampshire (Stonyfield Farm). The Cooperative's relationship with Stonyfield Farm is embodied in two agreements, a Supply Agreement and a Manufacturing and Licensing Agreement. Under the Supply Agreement, first executed in 1997 and renegotiated in 2007, the Cooperative is Stonyfield Farm's exclusive supplier of certified organic dairy products for use in Stonyfield Farm's line of yogurt products, drinkables, and ice cream. The Cooperative's sale of organic dairy products to Stonyfield Farm represented 9% of the Cooperative's 2016 total dairy sales and 16.8% of the Cooperative's 2016 milk supply. Under the Manufacturing and Licensing Agreement, executed in 2009, Stonyfield Farm has granted to the Cooperative an exclusive license to the Stonyfield brand for use on fluid milk products manufactured by the Cooperative and sold in the United States. The Cooperative's sale of Stonyfield branded fluid milk products represented 7.5% of the Cooperative's consolidated sales and 7.2% of the Cooperative's milk supply in 2014; 7.1% of the Cooperative's consolidated sales and 6.3% of the Cooperative's milk supply in 2015; and 6.8% of the Cooperative's consolidated sales and 6.3% of the Cooperative's milk supply in 2016.

Stonyfield Farm, founded in 1983, sold a portion of its shares to Danone in 2001 and Danone increased its ownership in 2004. In 2014 Danone it acquired the remainder of Stonyfield Farm's outstanding shares and Stonyfield Farm became a wholly-owned subsidiary. On July 7, 2016 Danone announced that it entered an agreement to acquire WhiteWave Foods Company, subject to approvals, including regulatory approvals in both Europe and the U.S. On April 3, 2017 the U.S. Department of Justice announced that Danone would be required to divest its Stonyfield Farm business in order to proceed with its acquisition and Danone agreed to the divestiture, which is to occur within months of the acquisition. On April 12, 2017 Danone announced that it had completed its acquisition of WhiteWave and is combining the activities of Danone and WhiteWave in North America to operate as a strategic business unit named "DanoneWave." As of the date of this Offering Circular, Danone has not announced a purchaser of the Stonyfield Farm business.

The Cooperative also has a key relationship with United Natural Foods, Incorporated (UNFI). UNFI is the leading national distributor of natural and organic foods, specialty foods, and related products in the United States and Canada and provides services for retailers and manufacturers, including marketing and promotions, merchandising, category management, and store support services. The Cooperative uses UNFI to access the important markets and independent cooperative retailers. In 2016, the UNFI relationship resulted in 23.3% of the Cooperative's sales and 22.1% in 2015.

OMC LLC, (Formerly The Organic Meat Company)

The Cooperative created The Organic Meat Company, a wholly-owned Wisconsin corporation in 2003 to process and market organic meat and meat products. In 2015 the Cooperative converted the corporation to a wholly-owned Wisconsin limited liability company which it renamed OMC LLC ("OMC"). OMC owns a controlling interest in two subsidiaries, Lorentz Etc., Inc. and Dombrovski Meats Company, both Minnesota corporations with whom OMC contracts for a significant portion of its meat processing. OMC and the Cooperative have entered into an agreement wherein OMC is responsible for all aspects of coordinating, processing and distributing certified organic meat and meat products. OMC purchases raw product from the Cooperative's Meat Pool and from other certified organic producers. Under a Services Agreement the Cooperative provides certain administrative, sales and marketing, and consulting services to OMC. Such services are paid by OMC at rates considered comparable to what would be paid to an unrelated party. OMC markets meat products primarily under its Organic Prairie and its Mighty Organic brands.

Lorentz Meats

In 2011, OMC acquired a controlling interest in Lorentz Etc, Inc., a Minnesota corporation, (Lorentz Meats), located in Cannon Falls, Minnesota. Lorentz Meats is a meat processing facility with whom the Cooperative has been doing business since 2001. The core business of Lorentz Meats is beef and bison slaughter and fabrication, as well as value-added specialty meat processing, using beef, bison, pork, and poultry. OMC uses the services of Lorentz Meats for both the slaughter and specialty processing of organic beef. OMC provides Lorentz Meats with certain accounting and administrative services at rates considered comparable to what would be paid to an unrelated party.

Dombrovski Meats

In 2015, OMC acquired a controlling interest in Dombrovski Meats Company, a Minnesota corporation, (Dombrovski Meats), located in Foley, Minnesota. Dombrovski Meats is a wholesale manufacturer and national distributor of high quality meat products. Dombrovski Meats specializes in organic, natural, and halal lines and custom processing of jerky, hard salami, pepperoni, sausage and snack sticks. A variety of OMC's meat products including Mighty Organic bars and jerky products, deli slices, and pepperoni are processed at Dombrovski Meats for OMC. OMC provides Dombrovski Meats with certain accounting and administrative services at rates considered comparable to what would be paid to an unrelated party.

Organic Logistics, LLC

In 2004, the Cooperative formed Organic Logistics, LLC (OL) as a wholly-owned subsidiary. OL was formed to manage the logistics functions of the Cooperative, which include freight, transportation and warehousing, as well as provide these same functions to other independent companies selling organic and natural foods. By providing third-party logistics services, OL is able to increase the volume of freight arranged in critical trucking lanes, thereby reducing the cost of goods to distribute the Cooperative's products and providing a higher level of customer service. The Cooperative has a contractual agreement with OL to provide certain accounting and administrative services. Such services are paid by OL at rates considered comparable to what would be paid to an unrelated party.

Organic Regulation

In 1990, the Organic Foods Production Act (OFPA) was adopted as Title XXI of the 1990 Farm Bill. The stated purpose of the OFPA is "to establish national standards governing the marketing of certain agricultural products as organically produced products; to assure consumers that organically produced products meet a consistent standard; and to facilitate interstate commerce in fresh and processed food that is organically produced." Although private and state agencies certify organic practices, there had previously been no requirement for certification, and thus no guarantee that "organic" meant the same from state to state, or even locally from certifier to certifier.

The OFPA authorized the formation of a National Organic Program (NOP) within the United States Department of Agriculture to establish organic standards and to require and oversee mandatory certification of organic production. Organic certification, under the OFPA, is administered by state and private organizations rather than by the federal government. The USDA oversees the NOP and related programs. The OFPA also created the National Organic Standards Board (NOSB) to advise the Secretary of Agriculture regarding the standards on which the USDA's NOP is based, and to advise the Secretary on any other aspects of the implementation of the law. The NOSB, through its 15-member board, develops policies and standards for substances used in organic foods, and advises the Secretary of Agriculture on aspects of implementing the Organic Regulations. These policies and standards must be adopted through notice and comment rulemaking prior to implementation.

All food products sold in the United States as "organic" are covered by the USDA's national organic standards. The word "organic" on United States food products means that the product's ingredients and production methods have been verified by an accredited certification agency as meeting USDA standards for certified organic production.

Organic certification under the Organic Regulations includes periodic field inspections of farming operations, soil and water conditions, and processing and distribution facilities. In addition, regulators and certification organizations review detailed record keeping and the organic producer's comprehensive organic plan, which must detail farm practices, document product inputs, and discuss all procedures. These review procedures are designed to ensure that all producers, processors and transporters are complying with the Organic Regulations.

Once producers are certified organic they may display the "USDA Organic" seal on product labeling and packaging. All of the Cooperative's products bear the USDA Organic seal.

The Cooperative is certified organic by the Oregon Tilth Certification Program, as a Class OH (Organic Handler). The Oregon Tilth certification was originally issued in June 1995, and is renewed annually, last renewed on May 6, 2016. Each farmer/member of the Cooperative is also certified organic by an accredited certification agency. All processors of the Cooperative's products are also certified organic.

Government Regulation of Milk Pricing

The federal government regulates minimum farm milk pricing through federal market orders and dairy support programs. The federal government's minimum prices are calculated through a formula based on a classified pricing system and revenue pooling. Prices vary depending on the processor's geographic location and the type of product manufactured from the raw farm milk. State governments can regulate farm milk pricing by establishing their own market order programs or by forming compacts that establish minimum prices for milk. For example, the State of California has established a separate pooling system. Organic farm milk, the primary raw ingredient for the Cooperative's organic dairy products, is presently considered the same as non-organic farm milk for federal and state minimum pricing purposes. However, the Cooperative generally pays organic dairy producers amounts significantly in excess of the minimum prices for non-organic milk established by federal, state or regional authorities.

On a monthly basis federal and state market orders determine the minimum price processors and manufacturers are required to pay for farm milk. The minimum prices vary according to how the milk is used. Class I milk is used for fluid milk processing. Class II milk is used for fluid cream products and soft manufactured products, such as yogurt and ice cream. Class III milk is used for the production of cheeses. Class IV milk is used for manufacturing butter and dry milk products. Class I milk usually receives the highest price, which varies by region. Class II, III and IV prices do not vary by region.. In each order, total value of milk in all classes is "pooled" to determine the minimum average or "blend" milk price that must be paid by processors and manufacturers for farm milk. Like the Class I price, the minimum producer price is adjusted by region. Dairy processors and manufacturers with a class value above the blend value pay into the pool while processors and manufacturers with a class value below the blend value draw from the pool. This process equalizes dairy producer payments and allows all of the dairy farmers within the region to share in the higher price paid for Class I use.

The Cooperative contracts with milk processors to process organic fluid milk products and, in some cases, is responsible through those processors for pooling charges and administrative assessments. These pooling and administrative assessment charges are assessed retroactively on a monthly basis and are not known or predictable, with certainty, in advance.

Environmental Regulations

The Cooperative is subject to extensive federal, state and local environmental laws and regulations with respect to water and air quality, solid waste disposal and odor and noise control. These laws include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended; the Resource Conservation and Recovery Act, as amended; the Federal Water Pollution Control Act; and their state and local counterparts and equivalents.

Public Health

As a manufacturer and distributor of food products, the Cooperative is subject to a number of food-related regulations, including the Federal Food, Drug and Cosmetic Act and regulations promulgated thereunder by the U.S. Food and Drug Administration (FDA). This comprehensive regulatory framework governs the manufacture (including composition and ingredients), labeling, packaging and safety of food in the United States. The FDA regulates manufacturing practices for foods through its current Good Manufacturing Practices regulations, specifies the standards of identity for certain foods, including many of the products the Cooperative sells, and prescribes the format and content of certain information required to appear on food product labels.

In addition, the FDA enforces the Public Health Service Act and regulations issued thereunder, which defines regulatory activity necessary to prevent the introduction, transmission or spread of communicable diseases. These regulations require, for example, pasteurization or heat treatment of milk and milk products. The Cooperative is subject to numerous other federal, state and local regulations involving such matters as the licensing of dairy manufacturing facilities, enforcement by government health agencies of standards for our products, inspection of our facilities, and regulation of our trade practices in connection with the sale of food products. To monitor product quality at the manufacturing facilities, the Cooperative requires quality control programs to test products during various processing stages. The Cooperative believes that its facilities and manufacturing practices comply with all government regulations. All of the Cooperative's dairy processors maintain and or utilize third party laboratories to test raw milk, other ingredients and finished products. Product quality and freshness are essential to the successful retail distribution of refrigerated milk and dairy products. To assure product quality at these facilities, the Cooperative requires quality control programs to test/monitor products during various processing and packaging stages. Each dairy manufacturing facility also has its own staff of technicians who monitor products to maintain high quality formulations and to protect against contamination.

The Food Safety Modernization Act of 2011 ("FSMA") was enacted with the goal of enabling the FDA to better protect public health by strengthening the food safety system. FSMA was designed to focus the efforts of FDA on preventing food safety problems rather than relying primarily on reacting to problems after they occur. The law provides FDA with enforcement authority designed to achieve a higher rate of compliance with prevention and risk-based food safety standards and to better respond to and contain problems when they do occur. The Cooperative realizes there will be the need for continuous improvement and attention to changes to ensure compliance. The Cooperative also utilizes Global Food Safety Initiative (GFSI) certification compliance as well to protect ourselves.

Employee Safety Regulations

The Cooperative is subject to certain health and safety regulations, including regulations issued pursuant to the Occupational Safety and Health Act of 1970, as amended. These regulations require the Cooperative to comply with certain manufacturing, health and safety standards.

Member Agreements

Membership in the cooperative is organized through producer pools, including the dairy producer pool, egg producer pool and meat producer pool. Prior to transitioning to organic production, producers sign a membership agreement, which includes the terms and conditions under which the Cooperative will purchase product from the farmer. The membership agreement is continuous in term. Either party may terminate the agreement with 180 days notification in writing. The Cooperative may terminate an agreement if the farmer loses organic certification, but an agreement may also be terminated for other reasons including failure of the farmer to meet applicable state and federal standards or failure to meet the quality standards of the Cooperative. The membership agreement incorporates, by reference, the rules and policies unique to each pool. The agreement also describes the capital base equity requirements for each farmer.

Debt

On August 22, 2013 the Cooperative entered into a 5 year line of credit agreement with JP Morgan Chase N.A. and Cooperative Centrale Raiffensen-Boerenleenbank B.A. "RaboBank Nederland" New York Branch (RaboBank). The credit agreement is for $100,000,000 and was amended April 3 2017 to temporarily increase the credit limit $110,000,000 through June 30, 2017. This replaces the original credit agreement that was signed on February 9, 2006 and renewed on August 12, 2010 for $46,000,000. The syndicated bank loan is secured by a security agreement on all inventories and on all receivables and proceeds arising from the sale of inventories. The Cooperative anticipates securing a term loan related to the McMinnville capital investment for approximately $15,000,000 by June 30, 2017 2017 to replace the temporary $10,000,000 increase in the line of credit that will expire on that date. Although the Cooperative has engaged in preliminary discussions with its lenders regarding the desired $15,000,000 term loan and expects that such loan will be made available prior to June 30, 2017, the Cooperative has not received a definitive commitment from any party to provide the desired term loan.

Under the applicable agreements, the Cooperative agrees not to create, incur or suffer to exist any indebtedness, except: the secured obligations and indebtedness existing on August 22, 2013; indebtedness of the Cooperative to any subsidiary, indebtedness in respect of worker's compensation, health, disability, or other employee benefits; or property casualty or liability insurance pursuant to reimbursement or indemnification obligation to such person, in each case incurred in the ordinary course of business; indebtedness in respect to performance bounds, bid bonds, appeal bonds, surety bonds and similar obligations. In addition, any such indebtedness incurred to guarantee the indebtedness of a subsidiary, to finance the acquisition, construction or improvement of any fixed or capital assets, including capital lease obligations, indebtedness of any person that becomes a subsidiary after August 22, 2013 and any unsecured indebtedness shall not exceed $5,000,000 at any time outstanding, other than an existing guarantee by the Cooperative of certain existing indebtedness of Lorentz Etc., Inc., not to exceed $5,000,000 in the aggregate.

The Cooperative also agreed to maintain a consolidating fixed charge coverage ratio of not less than 1.25-1.00 for any period of four consecutive fiscal quarters, ending on the last day of the fiscal quarter. Consolidated fixed charge coverage ratio means that (i) net savings plus the sum of interest expense, plus income tax expense net of tax refunds, plus all amounts attributable to depreciation and amortization expense, any extraordinary non-cash charges, plus any other non-cash charges (but excluding any non-cash charge in respect to an item that was included in Net Savings in a prior year and any non-cash charge that relates to the write-down or write-off of inventory), minus without duplication and to the extent included in Net Savings, any cash payments made in respect of non-cash charges taken in a prior period, minus any extraordinary gains and any non-cash items of income, all computed for the same Test Period ending on the same Test Date, minus (ii) 100% of depreciation expense, minus expense for taxes paid in cash, minus the sum of patronage refunds and stock retirements and redemptions in excess of new cash equity received. The sum of (i) and (ii) to the sum of cash interest expense, plus scheduled principal payments on indebtedness, plus unscheduled principal payments on indebtedness that are actually made, plus dividends or distributions paid in cash, plus amortization of any fixed assets component. As used herein the term "Test Period" means a period of four consecutive fiscal quarters calculated for the cooperative and its subsidiaries on a consolidated basis in accordance with GAAP. On September 30, 2013 the Cooperative achieved a fixed charge coverage ratio below the required amount of 1.25. As of December 31st, 2015, the Cooperative has been in compliance every quarter since September 30, 2013.

The Cooperative further agreed to maintain a leverage ratio of not less than 2.00-1.00 for any period of four consecutive fiscal quarters ending on the last day of each fiscal quarter. The leverage ratio means, on any date, the ratio of total consolidated liabilities of the Cooperative and its subsidiaries to equity minus goodwill and intangible assets.

Under the applicable agreements, the cooperative agreed not to incur or make annual capital expenditures exceeding $25,000,000 in 2013, $30,000,000 in 2014 and 2015, and $25,000,000 in each calendar year after 2015, provided that such limits shall not apply to Capital Expenditures to the extent paid, reimbursed or reimbursable by third-party property and casualty insurance proceeds made to rebuild, repair or replace fixed assets at the Cooperative's La Farge, Wisconsin facility, which were destroyed or damaged by the fire at such facility in May, 2013. The amount of any Capital Expenditures permitted to be made in respect of any fiscal year shall be increased by 50% of the unused amount of Capital Expenditures that were permitted to be made during the immediately preceding fiscal year, without giving effect to any carryover amount. Capital expenditures in any fiscal year shall be deemed to use first, the amount of such fiscal year and second, any amount carried forward to such fiscal year. During any period when availability as of the 15th day of any calendar month is less than $30,000,000 for 2 consecutive months, (i) the Cooperative will not make, nor will it permit any Subsidiary to, incur or make any Capital Expenditures to the extent exceeding the lesser of (A) $5,000,000 or (B) the maximum remaining Capital Expenditures for the applicable calendar year; unless (ii) the Cooperative grants, causes to be granted, a Lien on additional Collateral acceptable to the Administrative Agent. If any such additional Collateral consists of Eligible Equipment or Eligible Real Property, the Administrative Agent will consider, upon the

Coopertaive's request, including such Collateral in the Fixed Asset Components (subject to the limits and amortization requirements set forth in the definition of Fixed Asset Component).

On September 7, 2012, the Cooperative entered into a grant with the Wisconsin Economic Development Corp. for $590,000 with 84 payments of principal and interest of $7,535, until September 7, 2019. The Cooperative is required to keep and maintain 346 existing full-time positions that the Cooperative has in La Farge Wisconsin through December 31, 2015. The Cooperative was required to create and fill 100 new full-time positions in La Farge, Wisconsin by December 31, 2013, and thereafter, to maintain each of those new full-time positions in La Farge, Wisconsin until December 31, 2015. At least fifty-one percent (51%) of the new full-time positions created by the Cooperative must be made available to persons with household income less than eighty (80%) of the median household income by family size in Vernon County. During the term of this Agreement, the Cooperative shall provide the Wisconsin Department of Workforce Development, local Job Service offices, and the area Workforce Development Board, with prior written notice of any new or vacant full-time positions that are related to the Project. The Cooperative has agreed during this Agreement not to consolidate or merge with or into any other corporation or business entity, conduct the Project and related activities in Wisconsin, for a minimum of five years from the Effective Date, and not to sell, transfer, hypothecate, liquidate, pledge or otherwise encumber the Collateral, without prior written notice to WEDC and the Municipality. Nothing in the agreement prohibits the Cooperative from selling inventory in the ordinary course of business.

The cooperative has a long-term note payable to Purity Farms with an original principal balance of $666,667 with annual principal payments of $130,110. The note matures on January 15, 2018 and is non-interest bearing.

The following loans are related to the Lorentz purchase:

Merchants Bank Loan #86003382-01, dated April 18, 2014, for $300,000, with 60 monthly payments of principal and interest for $4,135. Loan is due in full April 1, 2019, for the remaining amount of unpaid principal and accrued interest. This loan is secured by the real estate mortgage on the property located at 705 Cannon Industrial Blvd., Cannon Falls, Minnesota and guarantees executed by CROPP, OMC LLC, Mike Lorentz and Rob Lorentz.

Merchants Bank Loan #86002210-02, dated August 9, 2013, for $4,500,000, with 120 monthly payments of principal and interest for $33,319. Loan is due in full August 15, 2023, for the remaining amount of unpaid principal and accrued interest. This loan is secured by the real estate mortgage on the property located at 705 Cannon Industrial Blvd., Cannon Falls, Minnesota and guarantees executed by CROPP, OMC LLC, Mike Lorentz and Rob Lorentz.

Merchants Bank Loan #86002209-02, dated August 9, 2013, for $1,338,308, with 120 monthly payments of principal and interest for $13,562. Loan is due in full August 15, 2023, for the remaining amount of unpaid principal and accrued interest. This loan is secured by the real estate mortgage on the property located at 705 Cannon Industrial Blvd., Cannon Falls, Minnesota and guarantees executed by CROPP, OMC LLC, Mike Lorentz and Rob Lorentz.

The following loan is related to the Dombrovski purchase:

Wells Fargo Bank Loan #1642129674, dated November 13, 2015, for $314,497, with 12 monthly payments of principal and interest for $2,905 and 108 monthly payments of principal and interest for $3,278. Loan is due in full November 25, 2025, for the remaining amount of unpaid principle and accrued interest. This loan is secured by the real estate mortgage on the property located at 425 Dewey St., Foley, MN 56329.

BOARD OF DIRECTORS & EXECUTIVE OFFICERS

<u>Board of Directors</u>

David Hardy, 61, has been a member of the Cooperative since 2003 and a Director since 2016. His term runs through spring 2019. Mr. Hardy has been active in the Cooperative's Farmers in Marketing program for the Cooperative since 2003. In 2009, he was elected to the Dairy Executive Committee (DEC) position for the New York East region, and in 2010 he served on the Work Improvement Committee. He was also an employee of the Cooperative for 6 years, serving as the Northeast Regional Pool Manager. Mr. Hardy, along with his wife and 3 boys, has run their first generation family dairy farm in Herkimer County, New York since 1995, producing organic dairy since 1999. Mr. Hardy holds an Associate degree in animal science from Stockbridge School of Agriculture at the University of Massachusetts. He currently serves on the Governance, Election & Tally, Co-op, and Appeals Committees for the Cooperative.

Mark Kruse, 64, has been a member of the Cooperative since 1994 and a Director since 1996. His term runs through spring 2018. Mr. Kruse served as Secretary of the Board from 2001-2002, Vice President from 2002 to 2011, and Treasurer from 2011 to 2012. Mr. Kruse has also served on the Advisory Board for the Midwest Organic Alliance and the Allamakee County Compensation Board. Mr. Kruse holds a Bachelor's degree in business administration from Loras College. Mr. Kruse has run his family dairy farm in Allamakee County, Iowa since 1977, converting to organic production in 1987. He currently serves on the Finance Committee and the Personnel Committee for the Cooperative.

Dan Pearson, 61, has been a member of the Cooperative since 1996 and a Director since 2009. He is Vice President of the Board and served as Board Secretary from 2012 to 2015. Mr. Pearson's term runs through spring 2018. Mr. Pearson served the Cooperative as a Dairy Executive Committee (DEC) representative from 1997 to 2002. He also served in the Farmers Advocating for Organics Committee as Chairman from 2007 to 2009. He served on the Troy Town Board as a Supervisor from 1996 to 2010, and as Chairman from 2013 to the present. He also served on the Sustainable Agricultural Advisory Committee for University of Wisconsin–River Falls from 2006 to 2010. Mr. Pearson has a Bachelor's degree in agriculture education from University of Wisconsin River Falls. He has operated his family's farm since 1979, in St. Croix County, Wisconsin, producing organic milk and beef since 1995. Mr. Pearson currently serves on the Audit and Governance Committees for the Cooperative.

Roger Peters, 59, has been a member of the Cooperative since 1988 and a Director since 2014. Mr. Peters' term runs through spring 2020. He has been a Dairy Executive Committee (DEC) alternate for eight years, on the Egg Executive Committee for 12 years, on the OMC, LLC Board for 14 years (5 years as President), and on the Lorentz Meats Board for 4 years as Vice President. He has also served on the National Farmers Organization (NFO) State Board for several years, serving 5 years as Vernon County NFO President and 6 years as Third District NFO President. Mr. Peters was also on the Vernon-Crawford Dairy Herd Information Association Board for six years. He has run his family dairy farm in Chaseburg, Wisconsin, since 1980, converting to organic production in1988. He currently serves on the Finance, Audit, and Appeals Committees for the Cooperative.

Arnold Trussoni, 56, has been a member of the Cooperative since 1990 and a Director since 2003. He is President of the Board. Mr. Trussoni's term runs through spring 2018. He also served as a Director for the Cooperative from 1992 to 1994. He was a member of the De Soto, Wisconsin, School Board from 1996 to 2002, serving in the role of Treasurer. Mr. Trussoni has operated his family's farm in Vernon County, Wisconsin since 1984, and currently produces organic dairy, eggs, and poultry products. He converted his farm to organic production in 1986. He currently serves on the Audit, Marketing, Co-op and Finance Committees for the Cooperative, and is a Director on the OMC, LLC Board.

Keith Wilson, 68, has been a member of the Cooperative since 2000 and a Director since 2013. His term runs through spring of 2019. He also serves on the Dairy Supply Price Committee since 2008 and the Work Improvement Committee since 2012. Mr. Wilson was National Director for the National Farmers Organization (NFO) from 1977 to 1980 and the Lafayette County, Wisconsin, NFO President from 1985 to 2000. He is a Trustee of the Cuba City United Methodist Church since 2011. Mr. Wilson owned and managed BRW Cheese Company from 1976 to 1983. Mr. Wilson has a Bachelor's degree in business from University of Wisconsin–Platteville. Keith, his wife, Tammy and nephews, run Wilson Organic Farms in Grant County, Wisconsin. They converted to organic production in 1996. He currently serves on the Governance and Nomination Committees for the Cooperative.

Scott Stoller, 47, has been a member of the Cooperative since 2003. Scott was elected to CROPP Board of Directors in 2017. His term runs through Spring 2020. Mr. Stoller also serves on CROPP FAFO Committee (Farmers Advocating for Organics), the Wayne County, Ohio Soil & Water Conservation District Board, the Apostolic Christian Nursing Home & Village Board and the Farm Service Agency Steering Committee. Scott and his wife Charlene purchased their farm from Scott's grandparents. Their grandchildren are the sixth generation on the land. Their children are owners in the family business and are very involved in the management of the farm.

Executive Officers

George Siemon, 63, is one of the founding members of the Cooperative. He has held various positions with the Cooperative since 1992 and was appointed Chief Executive Officer in 1995. He currently is a Manager of the Company Board for Organic Valley Fresh, LLC. Mr. Siemon was a member of the Cooperative's Board of Directors from 1988 to 1996. He was a member of the National Organic Standards Board from 2001 to 2005. He also held a position on the United States Department of Agriculture's (USDA) Small Farm Advisory Committee from 1999 to 2001, and participated on the Board of Directors for The Organic Center. Mr. Siemon currently serves as Chair for the Board for Global Animal Partnership. He has a Bachelor's degree in animal science from Colorado State University. Mr. Siemon has operated an organic farm in Vernon County Wisconsin, since 1977. He also serves on the Finance Committee for the Cooperative.

Theresa Marquez, 70, was appointed Mission Executive in 2016. Since 2012, she was employed by the Cooperative as the Chief Mission Officer. She was the Cooperative's Director of Marketing and Sales from 1997 to 2003, and the Chief Marketing Executive for the Cooperative from 2003 to 2011. Prior to her employment with the Cooperative, Ms. Marquez was a marketing consultant to the Cooperative for three years. Since 1978, Ms. Marquez held a variety of management positions in the organic and natural foods industry, including Store Manager and Marketing Director for Nature's Fresh Northwest, a natural foods retail chain. Ms. Marquez was a Board Director for the Organic Trade Association from 2001 to 2011, and from 1990 to 1993. She was President of the Center for Organic Education and Promotion in 2003 and was a founding member. She was a Director for Oregon Tilth's Certification Advisory Board from 1988 to 1990. She currently serves as Director on the Board of New Seasons Market and the Board of the Center for Special Needs Children. Ms. Marquez holds a Bachelor's degree in literature and creative writing from California State University–Los Angeles.

Eric Newman, 58, was appointed Vice President of Sales in 2003. He was employed by the Cooperative from 1996 to 2003 as National Sales Manager. Mr. Newman has been the CEO for the OMC, LLC since 2013. Mr. Newman has been involved with organic food sales and marketing for over 30 years. He was the President of the Southwest Montana Chapter of the Organic Crop Improvement Association for 7 years and worked with the Alternative Energy Resources Organization during this time. He also served on the Organic Trade Association as Co-Chair of the Fundraising Committee, and currently sits on the Cooperative's Board of Directors for Organic Logistics (OL) and OMC, LLC. Mr. Newman also currently serves as a Director for the Viroqua Food Cooperative and the Principle Six (P6) Cooperative Trade Movement.

Mike Bedessem, 59, was appointed Vice President of Business Development in 2016. From 1994 to 2016, was employed by the Cooperative as Chief Financial Officer (CFO). He was a member of the Cooperative from 1990 to 1997 and served as a Board Director from 1992 to 1994. Mr. Bedessem has over 35 years of financial management experience, having held CFO positions in various insurance firms prior to his tenure at the Cooperative. He also currently sits as a board member for Lorentz Etc., Inc and Dombrovski Meats Company. Mr. Bedessem served for 12 years as a Director for the North Crawford School Board in Crawford County, Wisconsin. Mr. Bedessem holds a Bachelor's degree in accounting from St. Mary's College in Winona, Minnesota.

Louise Hemstead, 55, was appointed Chief Operating Officer (COO) in 2003. She has been employed by the Cooperative since 1993 when she was hired as Dairy Program Manager. Mrs. Hemstead is the current President for Wisconsin Dairy Products Association, Vice Chair, UW-Madison College of Agriculture and Life Sciences Board of Visitors, serves on the Board of Master Cheesemakers, Wisconsin Department of Agriculture, Trade and Consumer Protections's (WI-DATCP), and as an organic industry advisor to the National Institute of Agriculture. Mrs. Hemstead currently sits on the Cooperative's Board of Directors for Organic Logistics. She has also served as a Director on the La Farge School Board and on the Kickapoo Valley Reserve Land Committee. Mrs. Hemstead was a member of the national Evangelical Lutheran Church in America (ELCA) Church-wide Council during which she chaired the Budget & Finance Committee, the Audit Committee, and Co-Chaired the Reference and Counsel Committee of the Church-wide Assembly in 2011 and 2013. Mrs. Hemstead holds a Bachelor's degree in Agriculture from the University of Wisconsin–Madison and received her Master's in Servant Leadership from Viterbo University in 2016.

Jerry McGeorge, 52, was appointed Vice President of Cooperative Affairs in May of 2013. He has been employed with the Cooperative since 1997, during which time he has held a variety of positions. Mr. McGeorge was a member of the Wisconsin Organic Advisory Board since its inception in 2007 through 2015, serving as the Co-Chair until 2013. He has been a Board member of the National Cooperative Business Association since 2007 where he served as both Chairman and Treasurer. He holds a Bachelor's degree in social work from Middle Tennessee State University. Mr. McGeorge currently serves on the Personnel Committee and Election & Tally Committee for the Cooperative.

Melissa Hughes, 49, has been employed with the Cooperative since 2003 and was appointed General Counsel in 2013. Prior to her employment with the Cooperative Ms. Hughes was in private practice in Wyoming with Holland and Hart, LLP. She currently serves as Board President for the Organic Trade Association, has served on the USDA's Advisory Committee on Biotechnology and 21st Century Agriculture (appointed by USDA Secretary Vilsack), and several not-for-profit boards, including the Environmental Working Group, Organic Voices, and the Non-GMO Project. Ms. Hughes has a Bachelor's degree from Georgetown University and a Juris Doctorate from the University of Wyoming.

Lewis Goldstein, 50, was appointed Vice President of Brand Marketing for the Cooperative in 2012. He joined the Cooperative as the Executive Director of Marketing in July of 2011. He currently is a Manager of the Company Board for Organic Valley Fresh, LLC. Mr. Goldstein previously served as Vice President of Marketing at Kiss My Face, LLC, and held marketing roles at Dr. Pepper Snapple Group with brands such as Snapple and Mott's, as well as at The Boston Beer Company, brewer of Sam Adams beer. Mr. Goldstein holds a Bachelor's degree in marketing from Northeastern University in Boston, Massachusetts. He also serves on the boards of directors for: Milk Processor Education Program (MilkPEP) and Organic Voices/Just Label It.

Jim Wedeberg, 67, was appointed Director of International Cooperative Development for the Cooperative in June 2016. As one of the original seven organic dairy farmers who founded the Cooperative in 1988, Mr. Wedeberg was involved in developing the original organic dairy production standards for the Organic Crop

Improvement Association (OCIA). He served 10 years on the Cooperative's Board of Directors and as Board President. In 1998, Mr. Wedeberg became the Cooperative's Dairy Pool Director. Under his leadership, the Cooperative has expanded from its foundation of seven dairy farms in Wisconsin to more than 1,800 dairy farms across the United States and the United Kingdom.

Travis Forgues, 43, was appointed Vice President of Farmer Affairs in December 2013**.** Mr. Forgues and his wife, Amy, ran their family farm in Vermont as producing members of the Cooperative from 1999 to 2013. While a member, Mr. Forgues pioneered the Cooperative's young farmer leadership program, Generation Organic. He served on the Cooperative's Dairy Executive Committee (DEC), Farmer Ambassador Program, and on the Board of Directors for 6 years. Mr. Forgues attended St. Michael's College in Colchester, Vermont.

Frank Dravis, was appointed Chief Information Officer in 2013. Mr. Dravis has nearly 30 years of experience in enterprise information management (EIM), including leading software development and IT departments and providing data management consulting. He served as Vice President of EIM product management at SAP North America and Vice President of EIM strategy at Business Objects. He was also Vice President of Development, and Vice President of Information Quality at Firstlogic, Inc. Mr. Dravis has a Bachelor's degree in computer science from National University in San Diego, California, and a Master's in business administration from the University of Wisconsin–La Crosse.

David Poremba, 52, was appointed Chief Financial Officer in June of 2016. He has been employed with the Cooperative since 2012, previously serving as the Cooperative Controller. He currently is a Manager of the Company Board for Organic Valley Fresh, LLC. Mr. Poremba began his career as an auditor at Ernst & Young–Chicago. Mr. Poremba has since worked in positions ranging from Controller to CFO at organizations including Abbott Laboratories and The Boler Company. He has a Bachelor's degree in accounting from Loyola University in Chicago and is a Certified Public Accountant. Mr. Poremba currently serves on the Finance Committee and Audit Committee for the Cooperative.

Bob Kirchoff, 54, was appointed Chief Business Officer in May 2016. He is also serving as a board member of Organic Logistics. Mr. Kirchoff has been involved with the Cooperative since 1993 because of his long tenure at the St. Paul, Minnesota-based Schroeder Company, which was the first processor to handle the Cooperative's organic milk. Mr. Kirchoff was President and CEO of Schroeder Company, and in 2008, he shepherded the sale of the company to Agropur Cooperative, a leading manufacturer of dairy products in Canada. Mr. Kirchoff continued as President of the newly established Agropur Division Natrel USA until he retired in 2014. He attended St. Cloud State University in St. Cloud, Minnesota, studying business administration.

CROPP Cooperative Director Compensation Summary

The Cooperative is governed by a seven member Board of Directors. All Directors must be members of the Cooperative. In the aggregate the Directors of the Cooperative were compensated $558,215 in 2016, $570,412 in 2015, $467,620 in 2014. These amounts include per diems for time spent fulfilling Director roles in such activities as Board and Board Committee meetings or other business functions, as well as reimbursement of expenses associated with fulfilling Director roles.

CROPP Cooperative Officer Compensation Summary

For 2014 through 2015, the Officer group of CROPP Cooperative consisted of the following individuals: George Siemon, Chief Executive Officer; Mike Bedessem, Vice President of Business Development; Louise Hemstead, Chief Operations Officer; Theresa Marquez, Mission Executive; Eric Newman, Vice President of Sales; Jerry McGeorge, Vice President of Cooperative Affairs; Melissa Hughes, General Counsel; and Lewis Goldstein, Vice President of Brand Marketing. In the aggregate, the Officer group was compensated $2,465,067 in 2015, $2,264,433 in 2014. For 2016 the following officers were added: Jim Wedeberg, Director of International Cooperative Development; Travis Forgues, Vice President of Farmer Affairs; Frank Dravis, Chief Information

Officer; David Poremba, Chief Financial Officer; and Bob Kirchoff, Chief Business Officer. The full Officer group in 2016 was compensated $3,788,868. These amounts include salaries, bonuses, benefit costs, profit sharing, and deferred compensation. The majority of the growth in the Officer compensation in 2016 was due to the inclusion of additional Officers and was not due to increases in compensation. Two of the Officers are also members of the Cooperative, and as such, receives farmer payments for production on their farms; those payments are made on the same terms as are available for all members of the Cooperative.

Director and Officer Investment in the Cooperative

In the aggregate, the Directors and Officers of the Cooperative, and/or their immediate family members, had investments in the Cooperative of $4,323,727.10, $3,840,897.34 and $3,746,942.58 for the years ending December 31, 2016, 2015 and 2014 respectively. These investments reflected purchases of Class B, Class C, or Class E, Series 1 Stock, or some combination thereof, and in each case were acquired upon the same terms as were or are available for all members or employees of the Cooperative.

DESCRIPTION OF SECURITIES

General

The Cooperative's Articles of Incorporation (the "Articles") authorize the issuance of up to 5,000 shares of Class A Stock, $25.00 par value; 1,500,000 shares Class B Stock, $50.00 par value; 500,000 shares of Class C Stock, $50 par value; and 3,000,000 shares of Class E Stock, $50.00 par value. As of March 31st, 2017 there are 1,968 shares of Class A Stock outstanding, 519,514 shares of Class B Stock outstanding, 0 shares of Class C Stock outstanding, 1,773,597 shares of Class E, Series 1 Stock outstanding, 0 shares of Class E, Series 2 Stock outstanding, and 0 shares of Class E, Series 4 Stock outstanding. Except as may be limited by applicable law and/or the Cooperative's Articles or Bylaws, the Board of Directors has the authority and power to fix additional relative rights and preferences on Class B Stock, Class C Stock and Class E Stock, and to establish and maintain capital reserves, non-stock revolving capital reserves, unit retains, and other types of equity credits.

Class A Stock

Class A Stock is the membership stock of the Cooperative. Only individuals and entities that are producers of agricultural products may own Class A Stock. Membership in the Cooperative is restricted to holders of Class A Stock. Each member must hold one share of Class A Stock and the number of shares of Class B Stock designated by the Board of Directors. No individual or entity, directly or indirectly, may own more than one share of Class A Stock.

Only holders of Class A Stock have voting power in the Cooperative. Each share of Class A Stock entitles the holder to one vote on matters submitted to a vote of the members. Cumulative voting is not permitted. Members may vote at an annual meeting or special meeting of the members called by the President of the Board, a majority of the Directors or upon written petition of at least 20% of the members. To transact business, there must be a quorum of at least 20% of the members entitled to vote present (or represented by a mail-in ballot) at an annual or special meeting of the members. Unless otherwise required by applicable law, the Articles, the Bylaws or the Board of Directors, the affirmative vote of a majority of the members present at a duly held meeting is necessary for an action to pass.

A holder of Class A Stock may vote in person or by mail ballot if a mail ballot has been authorized by the Board of Directors. In addition, any action that may be taken at a duly held meeting of the members may be taken without a meeting if a writing setting forth and approving the action taken is signed by all of the members entitled to vote.

The Board of Directors may determine that shares of Class A Stock have come into the hands of a person or entity not eligible for membership, or that the holder of the shares has ceased to be an eligible member. Upon such determination, the holder will cease to have rights or privileges on account of the Class A Stock and will have no voting rights.

Termination of Membership

Membership in the Cooperative may be terminated if a member:

1. becomes ineligible for membership;
2. fails to patronize the Cooperative for one year or more;
3. fails to pay required membership fees or;
4. dies or ceases to exist as a legal entity and leaves no successor.

Membership in the Cooperative may also be terminated if the Board of Directors, by resolution, finds that a member:

1. repeatedly violates any provision of the Articles, the Bylaws or policies established by the Board of Directors;
2. willfully obstructs the business of the Cooperative; or
3. breaches any contract with the Cooperative.

Prior to termination under for these reasons, the Board of Directors must provide the member to be terminated with twenty days written notice of the proposed action by Certified Mail. The member to be terminated has the opportunity to be heard by the Board of Directors at the Board meeting at which the termination resolution to be considered by the Board of Directors.

Upon termination of membership, holders of Class A Stock have no voting rights, and the Board of Directors may redeem the holder's Class A Stock for no more than the original value paid to the Cooperative. Further, the Board of Directors may, in its sole discretion, terminate the ineligible holder's rights and obligations to deliver agricultural products to the Cooperative under the Cooperative's Membership Agreement.

Class B Stock

Class B Stock is issued to the Cooperative's members as part of each member's cooperative capital base requirements. Other than those matters to which the Wisconsin Cooperative Association Act specifically grants voting rights, holders of Class B Stock ("Class B Stock") have no voting rights. Holders of Class B Stock are eligible to receive dividends. The annual rate of dividend is 8% of par value. The dividends are cumulative.

The Cooperative may redeem the Class B Stock from any shareholder at any time. The redemption price will be the consideration paid to the Cooperative for Class B Stock, plus any accrued dividends, unless the book value is less than par value, in which case the consideration will be book value.

A holder of Class B Stock may request that the Board of Directors redeem their stock after the holder notifies the Cooperative of his/her intention to terminate membership with the Cooperative. The Board has the discretion to approve or reject the redemption request.

Class C Stock

Class C Stock is capital stock of the Cooperative that may be held by either members of the Cooperative or investors who are not eligible for membership in the Cooperative. Other than those matters to which the Wisconsin Cooperative Association Act specifically grants voting rights, holders of Class C Stock ("Class C Stock") have no voting rights. Holders of Class C Stock are eligible to receive dividends. The annual rate of dividend is 8% of par value. The dividends are cumulative.

The Cooperative may redeem the Class C Stock from any shareholder at any time. The redemption price will be the consideration paid to the Cooperative for Class C Stock, plus any accrued dividends, unless the book value is less than par value, in which case the consideration will be book value.

Holders of Class C Stock may request that the Board of Directors redeem their stock at any time. The Cooperative guarantees redemption of up to 10% of the total balance of Class C Stock outstanding in any calendar year as determined on January 1 of each year. Redemption requests that are not honored in a specific calendar year will be the first considered in the successive calendar year.

Class E Stock

Class E Stock is capital stock of the Cooperative that may be issued to any person or entity, whether or not they are agricultural producers or members of the Cooperative. Other than those matters to which the Wisconsin Cooperative Association Act specifically grants voting rights, holders of Class E Stock have no voting rights. The holders are entitled to receive cumulative dividends. The dividend rate will be determined by the Board of Directors at the time of issuance of each series of shares within Class E, but will not exceed 8%.

Class E, Series 1

When the Board of Directors authorized the offer, sale and issuance of the Class E, Series 1 shares, the Board established an annual dividend rate of 6% of par value per annum. The dividends are cumulative.

The Cooperative may redeem the Class E, Series 1 Stock from any shareholder at any time. The redemption price will be the consideration paid to the Cooperative for the Stock, plus any accrued dividends, unless the book value is less than par value, in which case the consideration will be book value.

Holders of the Class E, Series 1 shares may request that the Board of Directors redeem their stock at any time. The redemption price will be the consideration paid to the Cooperative for the Stock, plus any accrued dividends, unless the book value is less than par value, in which case the consideration will be book value. At a minimum, the Cooperative intends to honor redemption requests of up to 10% of the total balance of Class E, Series 1 Stock outstanding in any calendar year as determined on January 1 of that year. Redemption requests that are not honored in a specific calendar year will be the first considered in the successive calendar year.

Class E, Series 2

Class E, Series 2 Stock is stock originally issued by the Cooperative to fund farmer patronage based on year-to-year profitability of the Cooperative and is declared at the sole discretion of the Board of Directors. Other than those matters to which the Wisconsin Cooperative Association Act specifically grants voting rights, holders of Class E, Series 2 Stock have no voting rights. The stock carries a non-cumulative dividend paying 0-8% as determined annually by the Board of Directors, except that any dividend declared with respect to outstanding Class E, Series 2 shares will be distributed in the form of additional shares of Class E, Series 2 Stock.

Redemption of Class E, Series 2 Stock is at the sole discretion of the Board of Directors, which discretion is embodied in policies adopted or amended by the Board of Directors from time to time with respect to the amount of Class E, Series 2 stock that may be redeemed by the Cooperative in any fiscal year. Under the Board of Directors' current policies, Class E, Series 2 shares must typically be held for at least 10 years from the date of issuance before such shares are eligible for redemption, except that additional Class E, Series 2 shares issued as dividends on outstanding Class E, Series 2 shares may be redeemed at the same time as the Class E, Series 2 shares which generated such additional "dividend" shares. In addition, the Board of Directors may, in its sole discretion, authorize redemption of Class E, Series 2 shares (and the associated "dividend" shares, if any) prior to the expiration of the 10 year period in the event of the death or disability of the holder of such shares.

Class E, Series 4

When the Board of Directors authorized the offer, sale and issuance of the Class E, Series 4, the Board established an annual dividend rate of 4% of par value per annum. The dividends are cumulative.

The Cooperative may redeem the Class E, Series 4 Stock from any shareholder at any time. The redemption price will be the consideration paid to the Cooperative for the Stock, plus any accrued dividends, unless the book value is less than par value, in which case the consideration will be book value.

Holders of the Class E, Series 4 Shares may request that the Board of Directors redeem their stock at any time. The redemption price will be the consideration paid to the Cooperative for the Stock, plus any accrued dividends, unless the book value is less than par value, in which case the consideration will be book value. Redemption requests may be accepted or rejected by the Board of Directors in its sole discretion.

Sale and Transfer of Shares

Class A Stock is not transferable to any person or entity. Holders of Class B Stock, Class C Stock, Class E, Series 1 Stock, Class E, Series 2 Stock, and Class E, Series 4 Stock may seek to transfer their shares to individuals or entities eligible to hold the applicable class of stock, but may complete the transfer only with the consent of the Board of Directors. No purported assignment or transfer passes to any person not eligible to hold such shares any rights or privileges on account of the shares, including, but not limited to, the right to vote or have a voice in the management of the affairs of the Cooperative. The Board of Directors may withhold its consent to proposed assignments or transfers of shares for any reason.

A shareholder (the "Transferring Holder") desiring to sell his or her shares of Class B Stock, Class C Stock, Class E, Series 1 Stock, Class E, Series 2 Stock, or Class E, Series 4 Stock (collectively, "Transferable Stock") generally must first offer the shares to the Cooperative for purchase by the Cooperative, subject to the limitations identified below. As used herein, the Cooperative's discretionary right to purchase such shares is known as a "right of first refusal." However, the Cooperative's right of first refusal does not apply if the proposed transferee is (i) the spouse, parent, child (or spouse of child), brother or sister (or spouse of brother or sister) of the Transferring Holder; (ii) a family farm corporation or other legal entity consisting of the Transferring Holder's family in which the Transferring Holder is a shareholder; or (iii) a partnership in which the Transferring Holder is a partner. Even though the Cooperative's right of first refusal does not apply to such transfers, Board of Directors' approval of the transfer is still required.

If the Cooperative does not elect to purchase the shares proposed for transfer under its right of first refusal, the Transferring Holder may only sell or transfer Class B shares to an agricultural producer eligible to become a member of the Cooperative and only by completing the transfer process required by the Cooperative. Any agricultural producer to whom it is proposed to transfer Class B shares must meet the criteria for membership in the Cooperative, including approval by the Board of Directors. If the Cooperative does not elect to purchase Class C shares, Class E, Series 1 shares, Class E, Series 2 shares, or Class E, Series 4 shares pursuant to its right of first refusal, the shares proposed for transfer may be sold or transferred to individuals or entities who are not agricultural producers, but only by completing the transfer process required by the Cooperative.

With respect to the transfer of any Transferable Stock, the Transferring Holder must give the Board of Directors written notice that sets forth the name and address of the proposed transferee, the number of shares of Transferable Stock to be transferred and all terms and conditions of the proposed transfer. The Board of Directors will then either elect to purchase the applicable shares for the price identified in the Transferring Holder's written notice or waive the right to purchase the shares. If the Board of Directors decides to waive its right to purchase the shares in question, the Board of Directors will vote on whether or not to accept the proposed transferee as a new member (with respect to the transfer of Class B shares) or as a non-member stockholder (with respect to the transfer of Class C, Class E, Series 1, Class E, Series 2, or Class E, Series 4 shares) at the Board's next meeting or at a special meeting called for that purpose. If the transfer and the proposed transferee are approved by the Board of Directors, the proposed transfer will be consummated on the terms and conditions stated in the written notice of the proposed transfer within thirty (30) days of such approval.

Distribution of Assets upon Dissolution

If the Cooperative liquidates, dissolves or winds up its business, its assets will be distributed in the following order and priority. Each category will be satisfied in full before any distribution is made to the next category. First, all debts and liabilities of the Cooperative must be paid according to their respective priorities; second, to the holders of Shares of Class E, Series 1 Stock, Class E, Series 2 Stock, and Class E, Series 4 Stock in an amount equal to par value or book value, whichever is lower, plus unpaid dividends declared thereon, without priority and on a pro rata basis within all Class E shares if necessary; third, to the holders of Shares of Class C Stock in an amount equal to par value or book value, whichever is lower, plus unpaid dividends declared thereon, without priority and on a pro rata basis if necessary; fourth, to the holders of Shares of Class B Stock in an amount equal to par value or book value, whichever is lower, plus unpaid dividends declared thereon, without priority and on a pro rata basis if necessary; fifth, to the holders of Class A Stock in an amount equal to the consideration paid when the Class A Stock was issued, without priority and on a pro rata basis if necessary; sixth, to holders of Patronage Equities in chronological order with the oldest year first and on a pro rata basis in a particular year if necessary; seventh, to the holders of Non-Patronage Earning Certificates with the oldest year first and on a pro-rata basis in a particular year if necessary; and eighth, to the members in accordance with their interest in the Capital Reserves, as defined in the Cooperative's organizational documents.

Amendments to Bylaws

The Bylaws may be amended by a three-quarters majority vote of a quorum of the members at any duly called meeting of the members of the Cooperative, provided that the amendment has been submitted to the membership for input at least 60 days prior to any vote on such proposal. Additionally, the final amendment shall be submitted to the membership at least 30 days prior to the meeting at which the amendment will be voted on.

Unit Retains

Under the Cooperative's Bylaws, the Cooperative is authorized to retain a portion of the payments otherwise due to its members for all products purchased by the Cooperative. This is called a "unit retain." The Cooperative's Board of Directors may set the unit retain to be applied to all members on a uniform basis. Any such unit retain is considered membership equity and may be redeemed by the Cooperative through future payments of cash to the members. Under IRS guidelines, the Cooperative has the option to treat the unit retains as taxable at the cooperative level or to treat the unit retains as non-taxable by declaring the unit retains as "qualified." Qualified unit retains are taxable to the member in the member's tax year of notification. When a qualified per unit retain is reimbursed or "revolved" in the form of a cash payment to the member, the member reports no additional income, having already paid tax on the whole amount in the year of declaration. Unit retains do not contain a minimum cash payment requirement to qualify for this tax treatment.

Patronage Refunds

Net income in excess of reserves established by the Board of Directors, payments to Members and Employees through a discretionary profit share program, and dividends paid to holders of Class B, Class C or Class E, Series 1, Series 2 and Series 4 Stock will be distributed annually based upon Allocation Units. The Board of Directors may, from time to time, establish Allocation Units on a reasonable and equitable basis and they may be functional, divisional, departmental, geographic, or otherwise. The entire business of the Cooperative constituted one Allocation Unit until the Board of Directors determined otherwise. The Board shall adopt reasonable and equitable accounting procedures that will, in the Board's judgment, equitably allocate among the Allocation Units the Cooperative's income, gains, expenses, and losses, as well as patronage dividends the Cooperative receives and its share of income, gain, loss and deduction of other entities in which the Cooperative owns an interest. In early 2003, the Cooperative's Board of Directors took action to establish a number of Allocation Units that were used to allocate the Cooperative's profits from 2002. The Allocation Units established by the Board of Directors were as follows: Dairy, Egg, Juice, Produce, and Meat. The Cooperative expects to continue to maintain such Allocation Units with respect to allocation of its profits.

The net income from patronage business for an Allocation Unit each fiscal year is the sum of (1) the gross revenues directly attributable to goods or services marketed or procured for patrons of the Allocation Unit, plus (2) an equitably apportioned share of other items of income or gain attributable to the Cooperative's patronage business, less (3) all expenses and costs of goods or services directly attributable to goods or services marketed or procured for patrons of the Allocation Unit, less (4) an equitably apportioned share of all other expenses or losses attributable to the Cooperative's patronage business, dividends on equity capital and distributable net income from patronage business that is set aside for reserves (including unallocated non-patronage net income).

The Cooperative will allocate net patronage income within an Allocation Unit among the patrons of the Allocation Unit based upon the quantity or value of a patron's business with the Cooperative as compared to the quantity or value of business of all patrons in the Allocation Unit. The Board of Directors will reasonably and equitably determine whether allocations should be made based upon quantity or value. This allocation is referred to as "patronage refunds." Patronage refunds may be qualified or nonqualified, as determined by the Board of Directors, and may be issued in non-certificated form. Patronage refunds may be distributed in cash, capital stock, allocated patronage equities, revolving fund certificates, other securities or any combination thereof as determined by the Board of Directors.

If an Allocation Unit incurs a net loss in any fiscal year from patronage business, the Cooperative may: (1) offset all or part of the net loss against the net income of other Allocation Units; (2) create accounts payable by patrons of the Allocation Unit incurring the net loss to be offset by future payables from the Cooperative to the patron; (3) carry all or part of the loss forward to be offset against future net income of the Allocation Unit; (4) offset all or part of the net loss against the Cooperative's capital reserve, or (5) cancel outstanding patrons' equities. Cancellation of equities or establishment of accounts payable will be allocated among the patrons of an Allocation Unit based upon the quantity or value of a patron's business with the Cooperative as compared to the quantity or value of business with all patrons in the Allocation Unit. No member is personally liable for any net losses incurred by the Cooperative or an Allocation Unit.

The Board of Directors may allocate non-patronage income not set aside as reserves to the Allocation Units and to patrons of the Allocation Unit based upon any reasonable and equitable method. Non-patronage net losses will generally be allocated to reserves unless the Board of Directors, after considering the circumstances giving rise to the net loss, determines that it is reasonable and equitable to allocate all or part of the net loss to one or more Allocation Units.

Subject to certain restrictions in the Cooperative's debt obligations set forth in the section entitled "Description of Business," the Board of Directors will seek to balance the Cooperative's growth with the distribution of cash dividends or patronage refunds to its members. However, there can be no assurance that the Cooperative will be able to generate any such patronage refunds for payment to its members or, if such patronage refunds are available, the exact percentage that will be distributed in cash.

Under federal tax law, to constitute a qualified written notice of allocation, the Cooperative must pay to the member at least 20% of the allocation in cash. However, the entire amount of the qualified patronage allocation is taxable income to the member.

A notice will be sent to each member and patron showing the amount distributed to the member or patron, including the amount distributed in cash and the amount distributed in capital credits or patronage equities.

Indemnification

The Bylaws of the Cooperative and the statutes of the State of Wisconsin give the Cooperative the power to indemnify any director, officer, manager, employee or agent, who was or is a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against certain liabilities and expenses incurred in connection with the action, suit or proceeding; however any director, officer, manager, employee, or agent convicted of a criminal offense is not eligible for indemnification. The Bylaws of the Cooperative provide that the Cooperative shall indemnify any such directors, officers, managers, employees or agents to the extent provided under applicable provisions of the Wisconsin Statutes. These provisions do not affect the availability of equitable remedies, such as an action to enjoin or rescind a transaction involving a breach of fiduciary duty, although, as a practical matter, equitable relief may not be available.

To the extent necessary under applicable state law, certain of the Cooperative's representatives have registered as the Cooperative's agents or representatives in various states in order to complete activities related to the offer and sale of the Cooperative's shares. In the opinion of the Securities and Exchange Commission, indemnification for such securities matters is against public policy as expressed in the Securities Act of 1933 as amended and is not enforceable in certain circumstances. As a result, the above provisions may not limit liability of the directors for violations of, or relieve them from the necessity of complying with, the federal securities laws.

Section 8.2 of the Cooperative's Articles of Incorporation contains the following provision: It is the intention of the members of this Cooperative to eliminate or limit the personal liability of the directors of the Cooperative to the greatest extent permitted under Wisconsin law. If amendments to the Wisconsin Statutes are passed after this Article becomes effective which authorize cooperatives to act to eliminate or further limit the personal liability of directors, then the liability of the Directors of this Cooperative shall be eliminated or limited to the greatest extent permitted by the Wisconsin Statutes as so amended. Any repeal or modification of this Article by the Class A Stockholders of this Cooperative shall not adversely affect any right of, or any protection available to a Director of this Cooperative that is in existence at the time of the repeal or modification.

The foregoing provision limits only the liability of directors, not officers. Under the provision, directors would not be liable to the Cooperative or its shareholders for monetary damages for their "negligence" in performing the duties of a director. However, a director would be liable to the Cooperative or its shareholders for monetary damages for a breach of the duty of loyalty, a failure to act in good faith, intentional misconduct, a knowing violation of law, an improper personal benefit, or a violation of Wisconsin securities laws. Moreover, the provision does not limit or eliminate the right of the Cooperative or any shareholder to seek an injunction or any other non-monetary relief in the event of a breach of a director's duty of care. Thus, a breach of the duty of care would remain a valid basis for a suit to stop a proposed transaction from occurring or a suit seeking to rescind a transaction that has already occurred. The provision excludes only claims against a director arising out of his or her role as a director. It does not relieve a director from liability unrelated to his fiduciary duty of care, such as certain liabilities under the state and federal securities laws. The provision also does not preclude indemnification of a director by the Cooperative, as described above.

PLAN OF DISTRIBUTION

The Placement

The Cooperative hereby offers for sale up to 500,000 shares of its Class E, Series 4 Stock, for a purchase price of $50.00 per share. If all of the Shares are sold, the Cooperative will receive aggregate proceeds of $25,000,000.00 (before deducting the expenses of the offering).

The minimum initial purchase by an investor is 10 shares, for a minimum investment of $500. (The Cooperative reserves the right to accept subscriptions for less than $500 from selected investors, in the sole discretion of the Board of Directors of the Cooperative.) The Offering will continue until April 30, 2018, unless extended by the

Cooperative to a later date or terminated by the Cooperative prior to April 30, 2018. There is no minimum number of Shares that the Cooperative is required to sell in this Offering. All funds received from investors will be immediately available to the Cooperative when the Cooperative has accepted an investor's subscription for the purchase of Class E Series 4 Shares.

Each person who proposes to purchase Shares will be required to deliver to the Cooperative an executed Subscription Agreement in the form attached as Exhibit 2, together with the full purchase price for the Shares being purchased. Checks should be made payable to "CROPP Cooperative."

The Cooperative plans to offer and sell the Shares without the assistance of any underwriter or agent. Instead, the Cooperative Equity Manager, the Investor Relations Manager, and certain of the Cooperative's officers will be responsible for completing the offer and sale of the Shares. Such persons will not receive any commission or compensation for such activities, other than their normal compensation as employees of the Cooperative. Contacts with prospective investors will be made by such representatives of the Cooperative through a variety of means, including mailings, other written or electronic communications, telephone conferences and personal meetings. Although the Cooperative has decided to offer and sell the Shares itself, the Cooperative retains the right to hire sales agents or registered broker-dealers to assist in the placement of the Shares. If the Cooperative were to hire any such agents, the Cooperative would expect to compensate any such agents through the payment of commissions on the Shares sold by such agent and through the reimbursement of expenses incurred by any such agent.

The Cooperative reserves the right to reject subscriptions from any party, in the Cooperative's sole discretion. The transfer of the Shares is also subject to approval by the Board of Directors and to the Cooperative's rights to (i) acquire stock offered for sale by holders and (ii) to "recall" the Shares through the payment of the lesser of the book value or par value of the Shares. See "Description of Securities—Sale and Transfer of Shares."

Investor Qualifications

The Cooperative, in its sole discretion, will determine whether to accept any subscription. The Shares are offered only to investors who have represented to the Cooperative that (i) an investment in the Shares is suitable for such investors and (ii) that such investors have no need for immediate liquidity with respect to the Shares. In addition, as part of the Subscription Agreement, each prospective investor must represent that (a) he or she is acquiring the Shares for his or her own account, for investment only, and not with a view towards resale or distribution, (b) he or she is aware that the sale of the Shares has not been registered under the Securities Act or any state securities law, (c) his or her transfer rights are restricted by the Securities Act and applicable state securities laws, as well as the absence of a market for the Shares, (d) he or she has (alone or with his or her financial advisors and representatives) such knowledge and experience in investment and business matters that he or she is capable of evaluating the merits and risks of an investment in the Shares.

Securities Law Restrictions on Transferability

The Cooperative has not registered the Shares under the Securities Act or any applicable state securities laws. The Cooperative is offering the Shares in reliance upon certain exemptions from registration contained in the Securities Act and state securities laws. As a consequence, purchasers may not sell, transfer, pledge or otherwise dispose of the Shares unless an exemption from securities registration is available for such sale, transfer, pledge or other disposition or such sale, transfer, pledge or other disposition is subsequently registered under the Securities Act and appropriate state securities laws. The Cooperative has no obligation or intention to register the Shares. Accordingly, any purchaser of the Shares must bear the economic risk of investment for an indefinite period of time.

The Cooperative will place certain restrictions on the sale, transfer, pledge or other disposition of the Shares. Specifically, (i) a legend will be placed on any certificate or other document representing the Shares stating that the Cooperative has not registered the Shares evidenced by such certificate or other document under the Securities Act or any applicable state securities laws and that the holder of such securities cannot sell, transfer, pledge or otherwise dispose of such securities in the absence of appropriate registrations or an opinion of counsel acceptable to the Cooperative to the effect that exemptions from such registrations are available with respect to the proposed sale, transfer, pledge or other disposition, (ii) a notation referring to the above-described restrictions on transferability of the Shares will be placed in the stock records of the Cooperative to aid in the prevention of transfers of record without compliance with the foregoing restrictions; and (iii) each purchaser will be required to represent in the Subscription Agreement that such purchaser is acquiring the Shares for such purchaser's own account for investment and not for distribution, and to agree that such purchaser will not sell, transfer, pledge or otherwise dispose of the Shares without appropriate registration under the Securities Act and any applicable state securities laws or an opinion of counsel acceptable to the Cooperative stating that exemptions from such registration are available.

Investors may wish to seek independent legal advice regarding the effect of these restrictions and investment representations on the transferability of the Shares.

Exhibit 1

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

La Farge, Wisconsin

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2016 and 2015

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

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INDEPENDENT AUDITORS' REPORT

Stockholders
Cooperative Regions of Organic Producer Pools
La Farge, Wisconsin

We have audited the accompanying consolidated financial statements of Cooperative Regions of Organic Producer Pools and its subsidiaries (the "cooperative"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, patrons' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the cooperative's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the cooperative's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Stockholders
Cooperative Regions of Organic Producer Pools

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cooperative Regions of Organic Producer Pools and its subsidiaries as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Madison, Wisconsin
April 5, 2017

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATED BALANCE SHEETS
As of December 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 1,871,654	$ 3,025,113
Accounts receivable, net	85,397,769	81,747,077
Inventories, net	149,085,201	118,331,673
Income tax receivable	1,705,387	30,700
Prepaid and other current assets	4,818,023	3,993,791
Notes receivable - current portion	735,339	509,680
Deferred tax asset - current portion	12,536,617	8,986,914
Total Current Assets	256,149,990	216,624,948
NET PROPERTY, PLANT AND EQUIPMENT	89,652,704	69,064,721
OTHER ASSETS		
Investments	2,280,492	1,791,391
Goodwill, net	1,105,874	1,244,109
Intangibles, net	1,228,958	1,455,995
Notes receivable, net	2,498,187	5,078,597
Other long-term assets	6,778,750	4,959,031
Total Other Assets	13,892,261	14,529,123
TOTAL ASSETS	$ 359,694,955	$ 300,218,792

LIABILITIES AND PATRONS' EQUITY

	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 47,944,180	$ 47,357,235
Farmer payable	45,930,181	41,531,229
Accrued expenses	8,843,101	9,720,048
Income tax payable	83,276	6,216,079
Line of credit	61,166,368	10,000,000
Current maturities of long term debt	813,294	685,637
Total Current Liabilities	164,780,400	115,510,228
Long-term debt, less current maturities	5,532,144	5,654,675
Deferred tax liability	6,286,102	4,401,702
Deferred compensation liability	1,222,500	992,500
Total Liabilities	177,821,146	126,559,105
PATRONS' EQUITY		
Class E stock	85,265,324	67,543,144
Class B stock	25,643,751	37,223,623
Class A stock	49,625	45,875
Class B stock - subscriptions	4,579,879	2,600,000
Class B stock - subscriptions receivable	(4,579,879)	(2,600,000)
Pool equities	3,007,242	1,934,737
Accumulated other comprehensive income	1,694,189	-
Unallocated capital reserve	64,550,547	65,204,048
Total Controlling Interest	180,210,678	171,951,427
Non-controlling interest in subsidiaries	1,663,131	1,708,260
Total Patrons' Equity	181,873,809	173,659,687
TOTAL LIABILITIES AND PATRONS' EQUITY	$ 359,694,955	$ 300,218,792

See accompanying notes to consolidated financial statements.

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2016 and 2015

	2016	2015
GROSS SALES	$ 1,099,648,894	$ 1,042,029,126
Discounts & allowances	(44,571,489)	(25,953,292)
NET SALES	1,055,077,405	1,016,075,834
COST OF SALES	927,529,166	865,169,452
Gross Profit	127,548,239	150,906,382
OPERATING EXPENSES		
Direct marketing	21,304,854	14,832,013
Indirect marketing		
Sales & sales support	11,222,745	9,981,636
Mission & messaging	2,639,967	2,121,013
Brand marketing	19,697,796	16,726,354
Total Indirect Marketing	33,560,508	28,829,003
Pool expenses	9,280,465	7,710,957
General & administrative	54,850,489	47,940,411
Product development	1,086,888	956,259
Governance	1,097,151	1,023,750
Legal fees & co-op affairs	1,792,418	1,580,827
Sustainability	1,059,774	690,747
Other expenses	997,802	4,789,632
Total Operating Expenses	125,030,349	108,353,599
Operating Income	2,517,890	42,552,783
OTHER EXPENSE (INCOME)		
Interest expense	876,872	213,844
Other income	(775,814)	(614,538)
Net Other Expense (Income)	101,058	(400,694)
Income Before Taxes	2,416,832	42,953,477
INCOME TAXES EXPENSE (BENEFIT)	(3,842,285)	6,118,918
NET INCOME	6,259,117	36,834,559
Net loss attributable to non-controlling interest	45,129	5,864
NET INCOME ATTRIBUTABLE TO THE CONTROLLING INTEREST	$ 6,304,246	$ 36,840,423

See accompanying notes to consolidated financial statements.

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2016 and 2015

	2016	2015
NET INCOME	$ 6,259,117	$ 36,834,559
Unrealized gain on derivative instruments, net of tax of $1,024,634	1,694,189	-
COMPREHENSIVE INCOME	$ 7,953,306	$ 36,834,559

See accompanying notes to consolidated financial statements.

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATED STATEMENTS OF PATRONS' EQUITY
For the Years Ended December 31, 2016 and 2015

	Class E-1 Stock	Class E-2 Stock	Class C Stock	Class B Stock	Class A Stock	Pool Equities	Class B Stock - Subscriptions	Class B Stock - Subscriptions Receivable	Unallocated Capital Reserve	Accumulated Other Comprehensive Income	Non-Controlling Interest in Subsidiaries	Patrons' Equities Total
BALANCES, December 31, 2014	$ 56,716,393	$ 1,980,289	$ 3,524,632	$ 36,837,422	$ 44,975	$ 2,447,533	$ 1,697,130	$ (1,697,130)	$ 36,934,848	$ -	$ 668,579	$ 139,154,671
Stock sold	3,743,449	-	-	574,404	-	2,138,639	-	-	-	-	-	6,456,492
Retirements	(1,520,991)	(338,753)	(246,402)	(3,455,293)	-	(783,799)	-	-	-	-	-	(6,345,238)
Class A stock - issued	-	-	-	-	900	-	-	-	(900)	-	-	-
Stock transfers	4,002,998	-	(3,308,179)	1,172,817	-	(1,867,636)	-	-	-	-	-	-
Dividends - stock	2,828,820	130,939	29,949	2,094,273	-	-	-	-	(5,083,981)	-	-	-
Dividends - cash	-	-	-	-	-	-	-	-	(1,504,342)	-	-	(1,504,342)
Base capital adjustment	-	-	-	-	-	-	902,870	(902,870)	-	-	-	-
Net income (loss)	-	-	-	-	-	-	-	-	36,840,423	-	(5,864)	36,834,559
Patronage dividends payable	-	-	-	-	-	-	-	-	(1,982,000)	-	-	(1,982,000)
Non-controlling interest opening equity	-	-	-	-	-	-	-	-	-	-	1,045,545	1,045,545
BALANCES, December 31, 2015	65,770,669	1,772,475	-	37,223,623	45,875	1,934,737	2,600,000	(2,600,000)	65,204,048	-	1,708,260	173,659,687
Stock sold	5,608,941	-	-	1,171,960	-	2,862,521	-	-	-	-	-	9,643,422
Retirements	(1,211,170)	(1,772,475)	-	(3,603,935)	-	(572,601)	-	-	-	-	-	(7,160,181)
Class A stock - issued	-	-	-	-	3,750	-	-	-	(3,750)	-	-	-
Stock transfers	11,569,898	-	-	(10,352,483)	-	(1,217,415)	-	-	-	-	-	-
Dividends - stock	3,526,986	-	-	1,204,586	-	-	-	-	(4,731,572)	-	-	-
Dividends - cash	-	-	-	-	-	-	-	-	(2,324,631)	-	-	(2,324,631)
Base capital adjustment	-	-	-	-	-	-	1,979,879	(1,979,879)	-	-	-	-
Net income (loss)	-	-	-	-	-	-	-	-	6,304,246	-	(45,129)	6,259,117
Patronage dividends payable	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	102,206	-	-	102,206
Unrealized gain on derivative instruments, net of tax of $1,024,634	-	-	-	-	-	-	-	-	-	1,694,189	-	1,694,189
BALANCES, December 31, 2016	$ 85,265,324	$ -	$ -	$ 25,643,751	$ 49,625	$ 3,007,242	$ 4,579,879	$ (4,579,879)	$ 64,550,547	$ 1,694,189	$ 1,663,131	$ 181,873,809

See accompanying notes to consolidated financial statements.

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 6,259,117	$ 36,834,559
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	8,660,939	7,623,599
Noncash portion of patronage allocations received	(81,426)	(2,197)
Equity in loss (income) from joint ventures	(182,616)	202,902
(Gain) Loss on disposal of property and equipment	374,214	(54,414)
Change in inventory reserve	10,068,475	11,105,947
Change in deferred taxes	(2,689,938)	(6,828,212)
Changes in assets and liabilities:		
Accounts receivable	(2,608,412)	2,187,347
Inventories	(40,822,003)	(52,887,025)
Prepaids and other current assets	(1,501,305)	438,084
Accounts payable and farmer payable	8,144,351	5,934,586
Accrued expenses	(1,146,663)	1,282,266
Other assets and liabilities, net	(5,767,892)	6,105,938
Net Cash Flows from Operating Activities	(21,293,159)	11,943,380
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(28,865,964)	(17,481,174)
Proceeds from disposal of equipment	109,905	62,894
Net receipts (advances) on notes receivable	1,312,471	(625,416)
Cash paid for purchase of investment in cooperatives	(300,000)	(200,000)
Dividends from (investment in) joint venture	74,941	(73,807)
Investment in tax increment project revenue bond	(236,249)	(721,049)
Purchase of Dombrovski stock	(1,176,454)	(544,721)
Net Cash Flows from Investing Activities	(29,081,350)	(19,583,273)
CASH FLOWS FROM FINANCING ACTIVITIES		
Retirement of patrons' equities	(7,160,181)	(6,345,238)
Patronage refunds paid to members	(1,982,000)	-
Proceeds from stock sales	9,643,422	6,456,492
Payment of stock dividends	(1,952,708)	(1,504,342)
Net proceeds from line of credit	51,166,368	8,757,458
Repayments of long-term debt	(713,559)	(627,979)
Proceeds from long-term debt	219,708	-
Net Cash Flows from Financing Activities	49,221,050	6,736,391
Net Change in Cash and Cash Equivalents	(1,153,459)	(903,502)
CASH AND CASH EQUIVALENTS - Beginning of Year	3,025,113	3,928,615
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,871,654	$ 3,025,113
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for interest	$ 909,429	$ 328,332
Cash paid for income taxes	6,643,253	5,639,411
NONCASH INVESTING AND FINANCING ACTIVITIES		
Patronage dividend payable	$ -	$ 1,982,000
Stock dividend issuance	4,731,572	5,083,981
Class A stock issuance	3,750	900
Unrealized gain on derivative instruments, net of tax of $1,024,634	1,694,189	-
Debt obligation incurred for equipment	498,977	-
Acquisition of Dombrovski financed by seller	-	1,176,454

See accompanying notes to consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Operations

Cooperative Regions of Organic Producer Pools ("CROPP" or "the cooperative") is organized and operated on a cooperative basis, marketing organic products for patrons domestically and internationally. The cooperative and its members must adhere to organic certification standards. Major products handled are organic dairy, eggs, meat, feed, soy and produce. Revenue in excess of operating costs and expenses are allocated to patrons on a patronage pool basis, as either allocated or unallocated. Transfers of patronage are permitted only with approval of the cooperative's Board of Directors.

Principles of Consolidation

The consolidated financial statements include the accounts of the Cooperative Regions of Organic Producer Pools and its wholly-owned subsidiaries, Organic Logistics, LLC, Worden Elevator, LLC and OMC, LLC along with its 66% and 65% majority-owned subsidiaries, Lorentz Etc., Inc. ("Lorentz") and Dombrovski Meats, LLC ("Dombrovski"), respectively. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The cooperative maintains cash in accounts with a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation. Management does not believe there is a significant credit risk associated with the deposits.

Accounts Receivable

Accounts receivable arise from marketing patrons' products. The cooperative grants credit to customers, substantially all of which, are distributors and retailers throughout the United States. Accounts are considered past due when payment is not received within the period allowed under terms of the sale. Past due accounts receivable bear interest at 18% annually and income is recognized when received. Management periodically reviews past due receivables and charges off uncollectible accounts when all reasonable collection efforts have been exhausted.

The allowance for doubtful accounts reflects management's estimates of inherent credit risks based upon past experience of the cooperative and evaluation of the underlying credit risks. All of the credit granted is unsecured with no collateral policy.

Inventories

Inventories consist primarily of raw and finished dairy products and packaging materials which are valued at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method. Market is considered as net realizable organic value.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Derivatives

The cooperative recognizes derivative instruments on the balance sheet as either an asset or liability, measured at fair value. The cooperative's derivatives consist entirely of hedging contracts to manage the price risk associated with energy costs. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, whether the hedge is a cash flow hedge or a fair value hedge.
At December 31, 2016 the cooperative elected to designate certain hedging contracts as accounting hedges. The gains or losses on these open contracts are treated as cash flow hedges and are initially included as a component of other comprehensive income. They are subsequently reclassified into cost of sales when the contract is closed. The cooperative documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge.
At December 31, 2016 and 2015, the cooperative has not elected to designate certain derivative instruments as accounting hedges. As such, changes in the fair value of these instruments are recorded in the consolidated statements of operations.

It is the policy of the cooperative to execute such contracts with creditworthy counterparties. These activities are subject to policies established by the cooperative which, among other matters, prohibit the use of derivative financial instruments for speculative purposes.

Fair Value Measurements

The cooperative defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and include expenditures for land and improvements, buildings, equipment, vehicles, software and construction in progress. Depreciation and amortization is computed on individual assets using the straight-line method at rates adequate to amortize the cost of applicable assets over their useful lives. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the related accounts and the resulting gains or losses are reflected in income. Expenditures for normal maintenance and repairs are expensed, while major renewals and betterments are capitalized.

Investments

Investments in cooperatives are stated at cost plus patronage refunds received in noncash equities less cash distributions received. Investments in cooperatives have no quoted market prices and, as such, it is not practical to estimate the fair value of such investments.
Investments in 20% to 50%-owned companies are accounted for under the equity method as the cooperative can exercise significant influence, but not control, over such investments. The equity method requires that gains (losses) are recognized in other income (expense), net in the consolidated statements of operations.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Notes Receivable

The cooperative has entered into notes receivable with customers in conjunction with the sale of product. Maturity and interest rates vary based on the terms of the notes. Notes receivable payments are generally due each month and interest income is recognized when due. Payments collected on notes receivable are included in net receipts (advances) collected by investing activities in the statement of cash flows. In addition, the cooperative has a note receivable from Cashton Greens Wind Farm, LLC (see Note 6) and a grant receivable from a tax incremental finance commitment with the Village of Cashton (see Note 17).

On an annual basis, management reviews amounts due under its notes receivable for recoverability when events or circumstances indicate that the carrying amounts of the amount due may not be recoverable. At December 31, 2016, the cooperative recorded an allowance for doubtful accounts (see Note 7).

Goodwill

Goodwill represents the excess of purchase price over the net assets acquired. The cooperative amortizes goodwill using a straight-line method over 10 years and has elected to test goodwill for impairment at the entity level when a triggering event has occurred. A triggering event may indicate the fair value of the entity is below its carrying value. No triggering events have occurred during 2016 or 2015 and therefore the cooperative has not recognized any impairment losses in those years.

Intangible Assets

The cooperative has acquired various customer lists, non-competes contracts and trademarks. The cost of the intangibles totaled $1,699,367 as of December 31, 2016 and 2015. The intangibles are being amortized on straight-line method over 5 to 15 years. The accumulated amortization of these intangibles totaled $470,409 and $243,372 as of December 31, 2016 and 2015, respectively. Amortization expenses on intangibles were $227,037 and $93,991 for the years ended December 31, 2016 and 2015. Amortization expense will range from $174,000 to $228,000 per year for the next five years.

Impairment of Long-Lived Assets

The cooperative reviews long-lived assets, including property, plant and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There was no impairment loss for the years ended December 31, 2016 and 2015.

Income Taxes

The cooperative files a federal income tax return with its 100% or more owned subsidiaries. The cooperative is subject to federal and state income taxes on additions to the unallocated capital reserve. As an exempt cooperative under Section 521 of the Internal Revenue Service ("IRS") code, substantially all of the common voting stock must be held by producers who are marketing their products through the cooperative. The value of products marketed for nonmembers may not exceed the value of products marketed for members. The exempt statutes allow the cooperative to take the amounts paid in dividends, during the tax year, as a tax deduction.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Income Taxes (cont.)

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for federal and state income tax purposes, at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The tax effects from an uncertain tax position are recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The cooperative recognizes the financial statement benefit of a tax position only after determining that the relevant taxing authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority.

It is the cooperative's policy to recognize interest and penalties related to unrecognized tax benefits in income tax expense. With few exceptions, the cooperative is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for the years ended prior to December 31, 2013. The cooperative is not currently under examination by any taxing jurisdiction.

Revenue Recognition

Revenue is recognized upon transfer of title or ownership and risk of loss pass to the customer, which could occur upon either shipment or receipt by the customer depending upon the contract.

Sales are reduced by customer rebates, discounts and allowances and returns. Amounts related to these customer programs that are earned but not paid are included in accrued expenses on the consolidated balance sheets. Accrued customer programs totaled $3,156,049 at December 31, 2016 and 2015.

Amounts billed to a customer as part of a revenue transaction related to shipping and handling are included in net sales.

Shipping and Handling Costs

Shipping and handling costs incurred are reported as a component of cost of sales.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was $10,618,592 and $6,994,128 for the years ended December 31, 2016 and 2015, respectively.

Research and Development Costs

Research and development costs are charged to operations when incurred and are reported as a component of operating expenses. The amounts charged to expense were $1,086,888 and $956,259 for the years ended December 31, 2016 and 2015, respectively.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 2 - Accounts Receivable

The components of accounts receivable at December 31, 2016 and 2015 are as follows:

	2016	2015
Current	$ 58,443,695	$ 55,150,530
1 to 30 days	22,352,476	22,569,474
31 to 60 days	3,729,035	6,343,585
61 days to 90 days	949,891	358,504
Greater than 91 days	2,551,729	2,249,946
Directors & employees	15,964	4,458
Total Accounts Receivable	88,042,790	86,676,497
Less: Allowance for doubtful accounts	(2,645,021)	(4,929,420)
Accounts Receivable, Net	$ 85,397,769	$ 81,747,077

NOTE 3 - Inventories

Inventories consist of the following:

	2016	2015
Raw materials	$ 4,331,285	$ 3,293,061
Finished product	165,446,488	124,874,864
Packaging and ingredients	4,501,817	5,289,662
	174,279,590	133,457,587
Less: Allowance for inventory obsolescence	(25,194,389)	(15,125,914)
Total Inventories	$ 149,085,201	$ 118,331,673

NOTE 4 - Derivatives

The cooperative uses derivative instruments to manage its exposure to price volatility for certain energy costs. The cooperative's risk management objective is to limit its cash outflows associated with the risk of fluctuations in the market price of these energy contracts.

The notional amount of the hedging contracts in place at a point in time provides an indication of the extent of the cooperative's involvement in such instruments at that time, but does not represent exposure to market risk or future cash requirements under some of these instruments. As of December 31, 2016 the absolute notional amount of each open contract that is not designated as a hedging instrument is approximately $2,300,000. As of December 31, 2016 the absolute notional amount of each open contract that is designated as a hedging instrument is approximately $15,400,000.

Derivative Instruments Not Designated as Hedging Instruments

At December 31, 2016 and 2015, the cooperative maintained a margin account balance of $665,944 and $3,057,476, respectively, with its counterparties in connection with the derivative instruments. The fair value of the derivatives totaled ($123,497) and ($2,540,572) as of December 31, 2016 and 2015, respectively. The unrealized losses of these instruments are included in other operating expenses in the consolidated statements of operations. The cooperative's net position of the margin account balance and the fair value of the derivatives are included in prepaid and other current assets in the consolidated balance sheets. The cooperative realized $849,041 of gains and ($246,582) of losses in the consolidated statements of operations during 2016 and 2015, respectively, relating to these instruments.

Derivative Instruments Designated as Hedging Instruments

Derivative instruments designated as hedging instruments are reported in the consolidated balance sheets at fair value as of December 31 as follows:

		Fair Value	
	Balance Sheet Location	2016	2015
Energy contracts - current portion	Prepaid and other current assets	$ 997,614	$ -
Energy contracts - long-term	Other long-term assets	1,721,209	-

The assets recorded represent the estimated amounts the cooperative would receive if the contracts were closed at year end. The cumulative $1,694,189 gain, net of tax of $1,024,634, from changes in the open hedging contract's fair value that is included in other comprehensive income for the year ended December 31, 2016 will be reclassified into net income when the contracts are closed. The amount expected to be reclassified from other comprehensive income during 2017 is approximately $998,000. No realized gains or losses on settled commodity hedging contracts were recorded for the year ended December 31, 2016.

NOTE 5 - Property, Plant and Equipment

Property, plant and equipment consist of the following:

	Depreciable Lives	2016	2015
Land		$ 958,864	$ 927,572
Buildings	39 yrs.	57,226,620	38,861,790
Machinery and equipment	5 - 10 yrs.	42,678,538	35,595,377
Software	3 - 5 yrs.	11,246,068	9,249,254
Vehicles	5 yrs.	5,529,897	4,656,924
Construction in progress		19,535,114	19,831,395
Total Property, Plant and Equipment		137,175,101	109,122,312
Less: Accumulated depreciation		(47,522,397)	(40,057,591)
Net Property, Plant and Equipment		$ 89,652,704	$ 69,064,721
Depreciation & amortization expense		$ 8,660,939	$ 7,623,599

NOTE 6 - Investments

Investments consist of the following:

	2016	2015
Investments in other cooperatives	$ 961,258	$ 579,832
Investment in Cashton Greens Wind Farm	832,973	1,001,504
Investment in Vermont Packinghouse	486,261	210,055
Total Investments	$ 2,280,492	$ 1,791,391

Investment in Cashton Greens Wind Farm

Cashton Greens Wind Farm, LLC ("CGWF") is a joint venture with another company, and its primary purpose is to operate a wind generation facility that includes two wind turbines and associated assets. The facility is located on the cooperative's real estate in Cashton, Wisconsin. Upper Midwest Municipal Power Agency purchases all the electricity generated, less line loss, from CGWF. Both parties share voting control and equity ownership equally and neither party exercises control over CGWF.

The cooperative has a note receivable from CGWF which bore interest at 6.00% until December 31, 2016. The note receivable was amended during 2017. The interest rate was changed from 6.00% to 3.00% with interest only payments during 2017 and monthly principal and interest payments of $18,500 each succeeding calendar year with a final payment due June 2027 (see Note 7).

NOTE 6 - Investments (cont.)

Investment in Vermont Packinghouse

Vermont Packinghouse ("VPH") is a joint venture with another company, and its primary purpose is to operate a custom meat and sausage processing facility in North Springfield, Vermont. The facility serves customers throughout the northeastern part of the United States. Both parties share voting control and equity ownership equally and neither party exercises control over VPH.

The investments are accounted for using the equity method with gains (losses) recognized in net other income (expense), net in the consolidated statements of operations. The net income of the cooperative for the year ended December 31, 2016, includes ($168,531) of loss and $351,147 of income from CGWF and VPH, respectively. The net income of the cooperative for the year ended December 31, 2015, includes ($250,827) of loss and $47,925 of income from CGWF and VPH, respectively. At December 31, 2016, CGWF had total assets of $8,665,552, total liabilities of $6,999,606, total equity of $1,665,946 and a net loss of ($337,062). At December 31, 2016, VPH had total assets of $1,370,633, total liabilities of $398,111, total equity of $972,522 and net income of $702,294.

NOTE 7 - Notes Receivable

The components of notes receivables at December 31, 2016 and 2015 are as follows:

	2016	2015
Notes receivable from producers	$ 2,117,500	$ 2,324,972
Grant note receivable	243,377	1,343,376
Notes receivable from Cashton Greens Wind Farm	1,829,929	1,829,929
Other receivables	85,000	90,000
Total Gross Notes Receivable	4,275,806	5,588,277
Allowance for doubtful accounts	(1,042,280)	-
Total Net Notes Receivable	$ 3,233,526	$ 5,588,277

Analysis of the change in the allowance for doubtful accounts follows:

	2016	2015
Beginning balance	$ -	$ -
Charge-offs	-	-
Transfer (to) from allowance for doubtful accounts	1,042,280	-
Provision	-	-
Ending Balance	$ 1,042,280	$ -

NOTE 7 - Notes Receivable (cont.)

As of December 31, 2016 and 2015, the analysis of the age of the notes receivable is as follows:

	2016	2015
Current	$ 3,233,526	$ 5,588,277
Past Due	-	-
Total Notes Receivable	$ 3,233,526	$ 5,588,277

NOTE 8 - Goodwill

The components of net goodwill at December 31, 2016 and 2015 are summarized as follows:

	2016	2015
Goodwill	$ 1,382,343	$ 1,382,343
Less: Accumulated amortization	(276,469)	(138,234)
Net Goodwill	$ 1,105,874	$ 1,244,109

Future amortization expense is expected to be $138,235 per year through fiscal 2025.
Total amortization expense was $138,235 for the years ended December 31, 2016 and 2015.
Amortization expense has been included in operating expenses in the accompanying consolidated statements of operations.

NOTE 9 - Line of Credit

The cooperative has a five-year credit agreement with a bank, which matures during June 2018, that allows the cooperative to borrow up to $100,000,000. The syndicated credit agreement is secured by a security agreement which includes substantially all assets of the cooperative. Interest accrues at a rate of LIBOR plus an applicable margin (effectively 2.31% and 1.81% at December 31, 2016 and 2015, respectively). The credit agreement has an unutilized fee of 0.25%.

As of December 31, 2016 and 2015, there was $61,166,368 and $10,000,000 outstanding on the line of credit. Under the terms of the line of credit, the cooperative is required to abide by certain financial covenants.

NOTE 10 - Long-Term Debt

	2016	2015
Wisconsin Economic Development Corp	$ 225,314	$ 310,298
Purity Farms	263,428	390,329
Merchants Bank Loan A	954,568	1,076,308
Merchants Bank Loan B	3,732,478	3,977,054
Merchants Bank Loan C	196,003	236,207
Golden Bison Company LLC	-	36,514
Wells Fargo Loan	283,750	313,602
Jules & Associate Loan A	229,030	-
Jules & Associate Loan B	374,289	-
Jules & Associate Loan C	53,288	-
Other	33,290	-
	6,345,438	6,340,312
Less: Current maturities of long-term debt	(813,294)	(685,637)
Total long-term debt	$ 5,532,144	$ 5,654,675

Wisconsin Economic Development Corp ("WEDC")

The cooperative has a long-term note payable to WEDC with an original principal balance of $590,000 and bears interest at 2.00% with monthly principal and interest payments of $7,535. The note matures on September 7, 2019 and is collateralized by equipment. The cooperative is required to abide by certain covenants related to maintaining a workforce in LaFarge, Wisconsin.

Purity Farms

The cooperative has a long-term note payable to Purity Farms with an original principal balance of $666,667 with annual principal payments of $130,110. The note matures on January 15, 2018 and is non-interest bearing.

Merchants Bank

Merchants Bank Loan A - Lorentz has a long-term note payable to Merchants Bank with an original principal balance of $1,388,308 and bears interest at 3.95% with monthly principal and interest payments of $13,562. The note matures on August 15, 2023 and is collateralized by substantially all assets of Lorentz.

Merchants Bank Loan B - Lorentz has a long-term note payable to Merchants Bank with an original principal balance of $4,500,000 and bears interest at 3.95% with monthly and principal and interest payments of $33,319. The note matures on August 15, 2023 and is collateralized by the real estate located in Cannon Falls, Minnesota.

NOTE 10 - Long-Term Debt (cont.)

Merchants Bank (cont.)

Merchants Bank Loan C - Lorentz has a long-term note payable to Merchants Bank with an original principal balance of $300,000 and bears interest at 4.25% with monthly and principal and interest payments of $4,135. The note matures on April 1, 2019 and is collateralized by substantially all assets of Lorentz.

The cooperative guarantees the notes payable to Merchant Bank.

Golden Bison Company, LLC

Lorentz had a capital lease obligation for equipment which required 84 monthly principal and interest payments of $2,362. The obligation had a purchase option for $25,000 at the end of the lease, which matured during 2016. The obligation was paid in full during 2016.

Wells Fargo Loan

Dombrovski has a long-term note payable to Wells Fargo with an original principal balance of $314,497 and bears interest at 1.98% through December 2016 and then 4.75% through the remainder of the term note payable. The note requires monthly principal and interest payments of $2,905 through December 2016 and then $3,278 through the remainder of the term note payable. The note matures on November 25, 2025 and is collateralized by the real estate of Dombrovski.

Jules & Associates

Jules & Associates Loan A - Dombrovski has a capital lease obligation for equipment which requires 59 monthly principal and interest payments of $4,371. The obligation has a purchase option for $4,371 at the end of the lease, which matures during 2021.

Jules & Associates Loan B - Dombrovski has a capital lease obligation for equipment which requires 59 monthly principal and interest payments of $7,242. The obligation has a purchase option for $7,242 at the end of the lease, which matures during 2021.

Jules & Associates Loan C - Dombrovski has a capital lease obligation for equipment which requires 59 monthly principal and interest payments of $2,274. The obligation has a purchase option for $2,274 at the end of the lease, which matures during 2019.

Future minimum payments on the long-term debt for the year ended December 31, 2016 are as follows:

	WI Economic Development	Purity Farms	Merchant Bank	Wells Fargo	Julies & Associates	Other	Totals
2017	$ 86,700	$ 130,109	$ 423,700	$ 26,456	$ 141,177	$ 5,152	$ 813,294
2018	88,450	133,319	441,269	27,740	145,716	5,304	841,798
2019	50,164	-	523,772	29,087	131,211	5,460	739,694
2020	-	-	430,100	30,499	131,794	5,620	598,013
2021	-	-	447,331	31,980	106,709	5,785	591,805
Thereafter	-	-	2,616,877	137,988	-	5,969	2,760,834
Totals	$ 225,314	$ 263,428	$ 4,883,049	$ 283,750	$ 656,607	$ 33,290	$ 6,345,438

NOTE 11 - Leases

The cooperative leases certain equipment and office space under terms of operating leases. Rent expense for these leases amounted to $290,248 and $361,149 for 2016 and 2015, respectively. The lease terms mature in 2017 - 2024 with approximate annual lease payments of $24,000 - $64,000 over the next five years.

The cooperative rents warehousing space for the storage of finished goods and packaging inventory. The rental agreements renew annually. Total rent expense for these agreements totaled $2,799,615 and $2,200,899 for 2016 and 2015, respectively.

NOTE 12 - Income Taxes

The income tax expense consists of the following:

	2016	2015
Current expense (benefit)	$ (1,152,347)	$ 12,947,130
Deferred expense (benefit)	(2,689,938)	(6,828,212)
Income Tax Expense (Benefit)	$ (3,842,285)	$ 6,118,918

The income tax expense reflects a combined federal and state tax rate. The difference between the effective tax rate of (156.87%) and 13.07% for the years ended December 31, 2016 and 2015, respectively, and the statutory rate of 35% and applicable state taxes is primarily due to the domestic production activities deduction and dividends.

Deferred tax arises from recognizing revenue and expense in different years for tax and financial statement purposes. The net deferred tax asset and liability are comprised of:

	2016	2015
Deferred Tax Asset:		
Allowance for doubtful accounts	996,820	1,910,725
Inventory reserves	9,494,928	6,118,748
Other accruals	2,044,870	956,984
Net operating losses	23,229	38,722
	$ 12,559,847	$ 9,025,179
Deferred Tax Liability:		
Property, plant and equipment	$ 5,058,276	$ 4,353,232
Other	1,251,056	86,735
	$ 6,309,332	$ 4,439,967

Deferred taxes are classified in the balance sheet as follows:

	2016	2015
Deferred tax asset - current portion	12,536,617	8,986,914
Deferred tax liability	(6,286,102)	(4,401,702)
	$ 6,250,515	$ 4,585,212

NOTE 12 - Income Taxes (cont.)

Net operating loss carryforwards as of December 31, 2016, which will produce a future tax benefit, were approximately $57,000 and $65,000 for federal and state, respectively. The federal net operating losses will expire beginning 2025 through 2036 and the state net operating losses will expire beginning 2020 through 2036.

In assessing the realizability of deferred tax assets, the cooperative considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets at December 31, 2016, is dependent upon the cooperative's ability to generate future profitability during the periods the temporary differences become deductible and prior to the expiration of the tax loss carryforwards. Based upon the cooperative's profitable performance and projections of future profitability over the years prior to the expiration of the tax loss carryforwards, management believes it is more likely than not the cooperative will fully realize the benefits of the deferred tax assets.

NOTE 13 - Deferred Compensation

The Board of Directors has approved an unfunded and nonqualified deferred compensation plan for certain key employees. The Board of Directors has approved to award $230,000 and $270,000 for the years December 31, 2016 and 2015, respectively.

NOTE 14 - Equities

Equity Capital Base Subscriptions

Capital Base Equity Subscriptions are recorded when a contract is entered into between the cooperative and new member producers, whereby the latter agrees to purchase Capital Base Equity, to be paid for over some installment period. As of December 31, 2016 and 2015, Class B stock subscriptions outstanding were $4,579,879 and $2,600,000, respectively. This balance is offset by a Class B stock subscription receivable.

When the member producer’s investment begins, partial payments toward their Capital Base requirement are recorded to Pool Assignments. Payments that fully satisfy the Capital Base requirement are issued to Class B Preferred shares.

Equity Program

In accordance with the cooperative’s articles and bylaws and by action of the Board of Directors, net savings from patronage sources, after reserves for necessary purposes, may be distributed to consenting patrons following the close of each year based on financial statement earnings. The cash portion of the patronage distribution is determined annually by the Board of Directors, with any retained balances issued in the form of allocated patron equities. As of December 31, 2015, the cooperative recorded $1,982,000 of patronage dividend payable which is included in farmer payables in the consolidated balance sheets. No patronage dividend payable was recorded for 2016.

NOTE 14 - Equities (cont.)

Equity Program (cont.)

The cooperative has a first lien on all capital stock, equity credits, and other interests standing on its books for all indebtedness of the respective holders or owners thereof to the cooperative. The cooperative also has the right, exercisable at the option of the Board of Directors, to offset such indebtedness against the amount of such capital stock, equity credits, or other interests standing on its books; provided, that nothing contained herein shall give the owners of capital stock, equity credits, or other interests any right to have such offset made.
The Board of Directors has the discretion to approve or deny all requests for redemption or transfer of the cooperative's stock. Stock may be transferred only on the books of the cooperative. The cooperative reserves the prior right to acquire any stock offered for sale by any shareholder, or a right to recall the stock of any shareholder. The consideration paid for stock recalled by the cooperative or purchased by the cooperative, under the prior right to acquire described above, shall be its par value plus any accrued unpaid dividends, provided that if the book value of such stock is less than the par value, the consideration shall be such book value.

The components of equities included in the financial statements as of December 31 are as follows:

Year ended December 31, 2016						
	Par Value		Authorized Shares	Issued Shares	Dividend Rate	Paid
Class E Series 1	$	50.00	3,000,000	1,705,306	6%	Quarterly
Class B	$	50.00	1,500,000	512,875	8%	Annually
Class A	$	25.00	5,000	1,985	n/a	n/a

Year ended December 31, 2015						
	Par Value		Authorized Shares	Issued Shares	Dividend Rate	Paid
Class E Series 1	$	50.00	3,000,000	1,315,413	6%	Quarterly
Class E Series 2	$	50.00	-	35,449	0-8% variable	Annually
Class B	$	50.00	1,500,000	744,472	8%	Annually
Class A	$	25.00	5,000	1,835	n/a	n/a

Class E, Series 1 Preferred Stock - This stock is an optional investment opportunity issued to members and non-members based on the Board of Directors approved plan. These stockholders have no voting rights. The stock carries a cumulative dividend currently paying 6% annually, paid and compounded quarterly, as determined by the Board of Directors. The cooperative has not registered the shares under the Securities Act or any applicable state securities laws, but instead relies on certain exemptions from registration contained in the Securities Act and such state securities laws. Management has the right as any other investor, to purchase Class E, Series 1 Stock.

NOTE 14 - Equities (cont.)

Equity Program (cont.)

On January 20, 2016, the Board of Directors approved the sale of Class E, Series 1 stock and reinvested dividends up to $85 million through December 31, 2016. This includes reinvested dividends, new investments (with a maximum of $50,000 per person per calendar year) from employees, farmer-members and those who are actively involved or have a financial interest or ownership in a member farm operation, and transfers of Class B or Class E, Series 1 stock.

On October 28, 2016, the Board of Directors approved the sale of Class E, Series 1 stock and reinvested dividends up to $90 million through December 31, 2016.

On January 18, 2017, the Board of Directors approved the sale of Class E, Series 1 stock and reinvested dividends up to $96 million through December 31, 2017.

On March 2, 2017, the Board of Directors approved to retire Class E, Series 1 stock beginning April 1, 2017. All dividends on Class E, Series 1 stock will be paid in cash annually at the close of the second quarter of the calendar year. The Board of Directors approved the sale of Class E, Series 4 stock beginning July 1, 2017 to active employees and farmer-members of the cooperative (with a maximum investment of $50,000 per person per calendar year). Class E, Series 4 stock will be offered up to 100,000 shares with a par value of $50.00 per share. The stock will carry an annual dividend of 4% payable at the close of the second quarter.

Class E, Series 2 Preferred Stock - This stock was used by the cooperative to fund retained patronage distributions which were based on year-to-year profitability of the cooperative and were declared at the sole discretion of the Board of Directors. These stockholders had no voting rights. The stock carried a non-cumulative dividend paying 0-8 percent as determined annually by the Board of Directors.

On January 20, 2016, the Board of Directors approved to retire Class E, Series 2 stock and declared an 8% dividend on Class E, Series 2 for 2016.

Class B Preferred Stock - This stock shall be capital stock for the purpose of member producers fulfilling their Capital Base investment requirement. This type of stock is non-voting. Each Board of Director is required to meet their related membership Capital Base investment requirement in Class B.

On April 28, 2016, the Board of Directors approved that each three year calendar period, beginning with 2016, a members' Capital Base investment requirement will be reconciled with the members' capital investment. In the event that a member is invested beyond 100% of the Capital Base investment requirement, the member may choose a cash dividend or transfer to another investment. During 2016, total transfers to Class E, Series 1 stock were $10,858,131.

On January 18, 2017, the Board of Directors declared an 8% dividend on Class B stock for 2016.

Class C Preferred Stock - This stock was held by members and non-members of the cooperative and held no voting rights. Class C stock carried a cumulative dividend paying 8% as determined annually by the Board of Directors. This stock was called as of April 30, 2015. Stockholders were able to redeem or transfer to Class E, Series 1 stock. During 2015, total transfers to Class E, Series 1 stock were $3,308,179.

NOTE 14 - Equities (cont.)

Equity Program (cont.)

Class A Common Stock - This stock is the membership stock of the cooperative and is issued from the Unallocated General Reserve. Only individuals and entities who are producers of agricultural products may own Class A Stock. Each member holds one share of Class A stock which entitles the holder to one vote on matters submitted to a vote of the members. No individual or entity, directly or indirectly, may own more than one share of this stock.

As of December 31, 2016, Board of Directors, Management, and their immediate family have investment of $4,332,237 in the cooperative.
The Board of Directors may determine that Class A Stock has come into the hands of a person or entity not eligible for membership. Upon such determination, the stockholder will cease to have voting rights or privileges of the Class A Stock. Further, the Board of Directors may, in its sole discretion, terminate the ineligible stockholder's right and obligations to deliver agricultural products to the cooperative under the cooperative's membership agreement.

In the event of any liquidation, dissolution or winding up of the affairs of the cooperative, whether voluntary or involuntary, all debts and liabilities of the cooperative shall be paid first according to their respective priorities. The remaining assets shall be distributed in the following manner and order of preference: (1) first to the holders of shares of Class E Stock in an amount equal to the par value of such shares or book value, whichever is lower, plus any unpaid dividends declared thereon, in such priority of series of such shares as may have been established upon the issuance of the shares and on a pro rata basis within a series if necessary; (2) second to the holders of shares of Class B Stock in an amount equal to the par value of such shares or book value, whichever is lower, plus any unpaid dividends declared thereon, without priority and on a pro rata basis if necessary; (3) third to the holders of Class A Stock in an amount equal to the value of the consideration for which the shares of Class A Stock were issued, without priority and on a pro rata basis if necessary; (4) fourth to payment of the stated dollar amount of all patrons' equities (other than non-patronage earnings certificates), in chronological order of year beginning with the oldest outstanding patrons' equities first and on a pro rata basis within a year if necessary; (5) fifth to payment of the stated dollar amount of non-patronage earnings certificates, in chronological order of year beginning with the oldest outstanding non-patronage earnings certificates first and on a pro rata basis within a year if necessary; and (6) sixth to the patrons in accordance with their interest in capital reserves.

Any assets remaining after the foregoing payments shall be allocated among the allocation units in the manner as the Board of Directors, having taken into consideration the origin of the amounts, shall determine to be reasonable and equitable. Amounts so allocated shall be paid to current and former patrons of each such allocation unit in proportion to their patronage of the unit over the period as may be determined to be equitable and practicable by the Board of Directors. The obligations to distribute shall be construed as a preexisting duty to distribute any patronage sourced net gain realized in the winding up process to the maximum extent allowable bylaw.

Pools Equities

Pool Equities are partial payments to meet the member producer’s Capital Base requirements. Once the Capital Base requirements are met, amounts are transferred to Class B Preferred shares. Class B dividends are not accrued on any partial payments. For the years ended December 31, 2016 and 2015, total transfers from pool equities were $1,217,415 and $1,867,636, respectively.

NOTE 14 - Equities (cont.)

Equity Program (cont.)
The cooperative has various options for member producers to meet their Capital Base requirement. Capital Base investment approximates 5.5% of the total annual value of products shipped to the cooperative (or per the producer's contract) for each of the producer's farm pool operations. The Capital Base investment is a one-time investment, but can be modified based on changes in the farm pool operation's value of product shipped to the cooperative.

NOTE 15 - Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

> *Cash and cash equivalents, trade receivables, other assets, accounts payable and accrued expenses:* The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

> *Investments in other cooperatives:* The carrying amounts are stated at cost plus allocated equities less cash distributions received, which approximate fair value.

> *Derivatives:* The fair value of derivative instruments are based upon quoted market prices or derived from prices in underlying futures markets.

> *Notes receivable:* The carrying value of the loan approximates fair value. The interest rate approximates a rate currently observed for debt of similar terms (see Note 7).

> *Long-term debt:* The carrying value of the cooperative's debt approximates fair value because the underlying rate of interest on the credit agreement and long-term notes payable are variable based upon LIBOR or fixed interest rates that approximate current rates should the cooperative obtain additional financing.

The Financial Accounting Standards Board (FASB) Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the cooperative has the ability to access at the measurement date.

> Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

> Level 3 inputs are unobservable inputs for the asset or liability.

NOTE 15 - Fair Value Measurements (cont.)

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.
The risk management activities presented in Note 4 are the only assets or liabilities carried at fair value measured on a recurring basis as of December 31, 2016 and 2015. Cost management arrangements related to energy contracts are considered Level 2 inputs.
Goodwill and intangibles are measured at fair value on a nonrecurring basis, if impaired, and are considered level 3 items.

NOTE 16 - 401(K) Plan

The cooperative has a 401(k) plan which is a defined contribution plan administered by two employee trustees for the benefit of participating employees. An employee must complete 3 months of service to participate in salary deferrals. An employee must complete one year of employment with at least 1,000 hours of service to be eligible to participate in the employer contribution. The cooperative provides a dollar for dollar match up to $1,300 annually or will contribute 3.2% of an employee's salary if the employee contributes 6.4% of their annual salary. The cooperative may contribute a discretionary amount of their salary deferrals which will be determined each year. The cooperative may make a discretionary profit sharing contribution to all eligible participants. Employees are vested 100% on their own salary deferrals. Employees are vested over a six year schedule for cooperative contributions. The cooperative made matching 401(k) contribution totaling $1,105,838 and $855,622 for the years ended December 31, 2016 and 2015, respectively. The cooperative elected to contribute an additional employee profit sharing contribution of $1,900,000 for 2015 that was funded in 2016. No employee profit sharing contribution was elected for 2016.

NOTE 17 - Concentration and Commitments

Customer Concentration

One customer individually accounted for 10% or more of sales for the year ended December 31, 2016 and 2015. Sales to this customer represented 21% of sales for 2016 and 2015. One customer individually accounted for 10% or more of accounts receivable as of the year ended December 31, 2016 and 2015. Accounts receivable from this customer represented 12% of total accounts receivable at December 31, 2016 and 2015.

Purchase Commitment

At December 31, 2016, the cooperative had outstanding commitments of approximately $5,800,000 and $1,700,000 for the construction of new plant facilities in Cashton, Wisconsin and McMinnville, Oregon, respectively.

NOTE 17 - Concentration, Commitments and Contingencies (cont.)

Tax Incremental Finance Commitment

Village of La Farge - The cooperative entered into a development agreement with the Village of La Farge ("VLF"), as of June 13, 2003. The VLF provided assistance through the establishment of a tax incremental district for the construction of certain public works and improvements. The cooperative agreed to construct an office building of no less than 40,000 square feet and house approximately 220 employees. In addition, the cooperative agreed to assist the VLF in its application for grant funds and provide all assistance it could with respect to compliance with grant requirements. Under the development agreement, the cooperative may not sell, transfer or convey the property prior to January 1, 2028, without the express written consent of the VLF.

Village of Cashton - The cooperative has entered into a development agreement with the Village of Cashton ("VC"), as of May 17, 2006. The VC has established a business park within the Village of Cashton known as the Cashton Greens Business Energy Park. The cost of the tax incremental finance district improvements, financing and bond insurance was approximately $4,885,000 which included grants from the Wisconsin Department of Commerce and Wisconsin Department of Transportation (the "grants") totaling $1,500,000, as amended during April 2011, in financing for those public projects eligible for financing via the grants. Under this agreement, the VC also issued a tax increment project revenue bond ("TIPR Bond A") in the amount of $1,761,836, as amended during April 2011, which is used to reimburse the cooperative for the costs of funding the construction. TIPR Bond A bears interest at 7.00% and requires annual principal and interest payments of approximately $145,000 that are received by the cooperative. TIPR Bond A matures on December 1, 2025.

On June 25, 2012, the cooperative amended the development agreement with the VC and established a second tax increment project revenue bond ("TIPR Bond B") that will be issued in the amount of $4,500,000 when the infrastructure expenses related to to the construction of the distribution addition, completion of Organic Drive, and site work related to construction of the Cashton office building are completed. The cooperative anticipates that TIPR Bond B will be issued during 2017. In addition to the TIPR Bond B, this agreement includes a community development block grant and other state agency grants that require the cooperative to assist the VC in applying for the grants. In addition to the TIPR Bond B, these grants will reimburse the cooperative for the infrastructure expenses incurred.

The VC development agreement includes various clauses including site improvements, employment opportunities and a minimum assessed real property tax value of $12,000,000.

As of December 31, 2016, the cooperative has a grant receivable of $243,377 and an investment in Cashton TIPR bonds of $4,976,372. As of December 31, 2015, the cooperative has a grant receivable of $1,343,376 and an investment in Cashton TIPR bonds of $4,874,094. On the accompanying consolidated balance sheets, the grant receivable is included in long-term notes receivable and the investment in Cashton TIPR bonds is included in other long-term assets.

NOTE 18 - Acquisition of Dombrovski

On November 18, 2015, the cooperative purchased 65% of the stock of Dombrovski, which is based in Foley, Minnesota and is engaged in the processing and sale of meat products. The cooperative purchased the stock for $2,021,175 which includes an earnout amount of $300,000. The earnout is payable over the next three years based on pre-tax income goals and is included in accrued expenses in the consolidated balance sheets as of December 31, 2015. The cooperative paid $544,721 at closing and a final payment of $1,176,454 during January 2016. The earnout amount of $300,000 was paid during 2016. The final payment is included in accounts payable in the consolidated balance sheets as of December 31, 2015.

The allocation of the fair value of the net assets acquired is as follows:

Accounts receivable	$ 259,4
Inventory	645,2
Property, plant and equipment	1,738,7
Tradename	1,069,3
Other assets	34,4
Accounts payable	(300,57
Term note payable	(316,23
Other liabilities	(63,71
Non-controlling interest	(1,045,54
	$ 2,021,175

The cooperative recognized a tradename intangible of $1,064,367 that is being amortized on a straight-line method over 7 years with annual amortization expense of approximately $152,000.

NOTE 19 - Investment in Joint Venture

During November 2016, the cooperative entered into a joint venture agreement with Dean Foods Company to create a limited liability corporation, Organic Valley Fresh LLC “OV Fresh.” OV Fresh entered into Co-Packing, Brand Licensing, Product for Resale Purchase, Milk Supply and Product Sales and Distribution agreements with its members. The nature of the business to be conducted by OV Fresh is to process, distribute, market and sell organic dairy and related products under the Organic Valley ® brand and under private label. OV Fresh is scheduled to be operational during 2017.

NOTE 20 - Subsequent Events

The cooperative has evaluated subsequent events from the consolidated balance sheet date through April 5, 2017, the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose.

NOTE 21 - Future Accounting Pronouncement

Income Taxes: Balance Sheet Classification of Deferred Taxes

During November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17, "Balance Sheet Classification of Deferred Taxes." ASU No. 2015-17 requires deferred tax assets and liabilities to be classified as noncurrent in a classified balance sheet. ASU No. 2015-17 is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The cooperative is currently assessing the effect that ASU No. 2015-17 will have on its financial position.

Revenue from Contracts with Customers

During May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During 2015 and 2016, the FASB also issued various amendments to ASU 2014-09. Topic 606 (as amended) is effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The cooperative may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The cooperative is currently assessing the effect that Topic 606 (as amended) will have on its results of operations, financial position and cash flows.

Leases

During February 2016, the FASB issued ASU 2016-02, "Leases," which provides guidance for accounting for leases. The standard's core principal is that a company will recognize a lease asset and lease liability for most leases currently classified as operating leases under previous guidance. The standard also requires enhanced qualitative disclosures relating to leases. The standard will be applied using a modified retrospective approach and will be effective for the cooperative's fiscal years ending after December 15, 2019. The cooperative is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

INDEPENDENT AUDITORS' REPORT
ON THE SUPPLEMENTAL INFORMATION

Stockholders
Cooperative Regions of Organic Producer Pools
La Farge, Wisconsin

We have audited the consolidated financial statements of Cooperative Regions of Organic Producer Pools and its subsidiaries as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated April 5, 2017 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental information provided, as identified in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Madison, Wisconsin
April 5, 2017

SUPPLEMENTAL INFORMATION

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATING BALANCE SHEET
As of December 31, 2016

	CROPP	Organic Logistics	Worden Elevators	Organic Meat Company	Lorentz	Dombrovski	Total	Consolidating Eliminations	Consolidated
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 16,082	$ 373,783	$ 88,876	$ 1,049,823	$ 81,651	$ 261,439	$ 1,871,654	$ -	$ 1,871,654
Trade accounts receivable, net	83,181,369	499,816	73,738	1,135,799	550,981	298,058	85,739,761	(341,992)	85,397,769
Related party receivable	7,280,403	10,794,435	-	696,426	-	-	18,771,264	(18,771,264)	-
Inventories, net	141,457,660	-	-	6,430,438	503,375	693,728	149,085,201	-	149,085,201
Income tax receivable	1,610,486	-	-	-	94,901	-	1,705,387	-	1,705,387
Prepaids and other current assets	4,770,433	-	-	8,830	38,760	-	4,818,023	-	4,818,023
Current portion of deferred tax asset	12,301,985	60,973	-	105,438	59,723	8,498	12,536,617	-	12,536,617
Current portion of notes receivable	735,339	-	-	-	-	-	735,339	-	735,339
Total Current Assets	251,353,757	11,729,007	162,614	9,426,754	1,329,391	1,261,723	275,263,246	(19,113,256)	256,149,990
NET PROPERTY, PLANT AND EQUIPMENT	81,480,714	-	19,292	-	5,557,551	2,595,147	89,652,704	-	89,652,704
OTHER ASSETS									
Long-term notes receivable, net	2,498,187	-	-	-	-	-	2,498,187	-	2,498,187
Investments	11,970,125	-	-	3,570,975	486,261	-	16,027,361	(13,746,869)	2,280,492
Intangibles, net	330,650	-	-	-	-	898,308	1,228,958	-	1,228,958
Goodwill, net	177,504	-	-	-	928,370	-	1,105,874	-	1,105,874
Other long-term assets	6,697,583	-	-	-	20,339	60,828	6,778,750	-	6,778,750
TOTAL ASSETS	$ 354,508,520	$ 11,729,007	$ 181,906	$ 12,997,729	$ 8,321,912	$ 4,816,006	$ 392,555,080	$ (32,860,125)	$ 359,694,955
LIABILITIES AND PATRONS' EQUITY									
CURRENT LIABILITIES									
Line of credit	$ 61,166,368	$ -	$ -	$ -	$ -	$ -	$ 61,166,368	$ -	$ 61,166,368
Current maturities of long-term debt	216,793	-	-	-	423,716	172,785	813,294	-	813,294
Accounts payable	42,170,913	4,956,269	3,780	687,932	316,572	150,706	48,286,172	(341,992)	47,944,180
Farmer payable	45,930,181	-	-	-	-	-	45,930,181	-	45,930,181
Accrued expenses	8,447,829	-	-	38,335	236,400	120,537	8,843,101	-	8,843,101
Related party payable	10,730,347	-	748,733	6,744,580	528,597	19,007	18,771,264	(18,771,264)	-
Income tax payable	-	-	-	-	-	83,276	83,276	-	83,276
Total Current Liabilities	168,662,431	4,956,269	752,513	7,470,847	1,505,285	546,311	183,893,656	(19,113,256)	164,780,400
Long-term debt, less current maturities	271,967	-	-	-	4,459,332	800,845	5,532,144	-	5,532,144
Deferred compensation liability	1,222,500	-	-	-	-	-	1,222,500	-	1,222,500
Deferred tax liability	5,270,705	-	3,228	-	180,141	832,028	6,286,102	-	6,286,102
PATRONS' EQUITIES									
Class E stock	85,265,324	-	-	-	-	-	85,265,324	-	85,265,324
Class B stock	25,643,751	-	-	-	-	-	25,643,751	-	25,643,751
Class A stock	49,625	-	-	-	-	-	49,625	-	49,625
Class B stock - subscriptions	4,579,879	-	-	-	-	-	4,579,879	-	4,579,879
Class B stock - subscriptions receivable	(4,579,879)	-	-	-	-	-	(4,579,879)	-	(4,579,879)
Pool equities	3,007,242	-	-	-	-	-	3,007,242	-	3,007,242
Accumulated other comprehensive income	1,694,189	-	-	-	-	-	1,694,189	-	1,694,189
Unallocated capital reserve	63,420,786	6,772,738	(573,835)	5,526,882	2,177,154	2,636,822	79,960,547	(15,410,000)	64,550,547
Total Controlling Interest	179,080,917	6,772,738	(573,835)	5,526,882	2,177,154	2,636,822	195,620,678	(15,410,000)	180,210,678
Non-controlling interest in subsidiaries	-	-	-	-	-	-	-	1,663,131	1,663,131
Total Patrons' Equity	179,080,917	6,772,738	(573,835)	5,526,882	2,177,154	2,636,822	195,620,678	(13,746,869)	181,873,809
TOTAL LIABILITIES AND PATRONS' EQUITY	$ 354,508,520	$ 11,729,007	$ 181,906	$ 12,997,729	$ 8,321,912	$ 4,816,006	$ 392,555,080	$ (32,860,125)	$ 359,694,955

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 31, 2016

	CROPP	Organic Logistics	Worden Elevators	Organic Meat Company	Lorentz	Dombrovski	Total	Consolidating Eliminations	Consolidated
GROSS SALES	$ 1,049,373,519	$ 12,773,521	$ 274,789	$ 22,540,910	$ 11,176,477	$ 6,646,647	$ 1,102,785,863	$ (3,136,969)	$ 1,099,648,894
Discounts & allowances	(42,918,093)	-	-	(1,442,472)	-	(210,924)	(44,571,489)	-	(44,571,489)
NET SALES	1,006,455,426	12,773,521	274,789	21,098,438	11,176,477	6,435,723	1,058,214,374	(3,136,969)	1,055,077,405
COST OF SALES	891,034,729	10,646,272	-	16,835,524	9,401,820	2,747,790	930,666,135	(3,136,969)	927,529,166
Gross Profit	115,420,697	2,127,249	274,789	4,262,914	1,774,657	3,687,933	127,548,239	-	127,548,239
OPERATING EXPENSES									
Direct marketing	20,252,079	-	-	1,052,775	-	-	21,304,854	-	21,304,854
Indirect marketing									
Sales & sales support	10,732,241	-	-	490,504	-	-	11,222,745	-	11,222,745
Mission & messaging	2,639,967	-	-	-	-	-	2,639,967	-	2,639,967
Brand marketing	19,347,942	-	-	349,854	-	-	19,697,796	-	19,697,796
Total indirect marketing	32,720,150	-	-	840,358	-	-	33,560,508	-	33,560,508
Pool expenses	9,280,465	-	-	-	-	-	9,280,465	-	9,280,465
General & administrative	46,816,840	1,761,707	486,194	1,189,922	1,408,642	3,187,184	54,850,489	-	54,850,489
Product development	1,068,905	-	-	17,983	-	-	1,086,888	-	1,086,888
Governance	1,078,212	-	-	18,939	-	-	1,097,151	-	1,097,151
Legal Fees & co-op affairs	1,792,418	-	-	-	-	-	1,792,418	-	1,792,418
Sustainability	1,059,774	-	-	-	-	-	1,059,774	-	1,059,774
Other expenses (income)	960,358	40,098	-	(2,654)	-	-	997,802	-	997,802
Total Operating Expenses	115,029,201	1,801,805	486,194	3,117,323	1,408,642	3,187,184	125,030,349	-	125,030,349
Operating Income (Loss)	391,496	325,444	(211,405)	1,145,591	366,015	500,749	2,517,890	-	2,517,890
OTHER EXPENSE (INCOME)									
Interest expense	660,380	-	-	286,358	235,675	10,999	1,193,412	(316,540)	876,872
Other income	(592,250)	-	-	(50,384)	(380,577)	(69,143)	(1,092,354)	316,540	(775,814)
Net Other Expense (Income)	68,130	-	-	235,974	(144,902)	(58,144)	101,058	-	101,058
Income (Loss) Before Taxes	323,366	325,444	(211,405)	909,617	510,917	558,893	2,618,948	-	2,416,832
INCOME TAX EXPENSE (BENEFIT)	(4,699,722)	(144,718)	3,684	(192,593)	240,655	950,409	(3,842,285)	-	(3,842,285)
NET INCOME (LOSS)	5,023,088	470,162	(215,089)	1,102,210	270,262	(391,516)	6,259,117	-	6,259,117
Net loss (income) attributable to non-controlling interest	-	-	-	-	(91,895)	137,024	45,129	-	45,129
NET INCOME (LOSS) ATTRIBUTABLE TO THE CONTROLLING INTEREST	$ 5,023,088	$ 470,162	$ (215,089)	$ 1,102,210	$ 178,367	$ (254,492)	$ 6,304,246	$ -	$ 6,304,246

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

RECEIVABLES AND FINANCIAL RATIOS

As of December 31, 2016

Receivables	
Details of receivables are as follows:	
Trade accounts receivable	$ 77,842,424
Other receivables	10,200,366
	88,042,790
Allowance for doubtful accounts	(2,645,021)
	$ 85,397,769
An aging of receivables is as follows:	
Period of charge	
Current	$ 58,443,695
1 to 30 days	22,352,476
31 to 60 days	3,729,035
61 to 90 days	949,891
Greater than 91 days	2,551,729
Director and employees	15,964
	88,042,790
Allowance for doubtful accounts	(2,645,021)
	$ 85,397,769
Financial ratios	
Total current assets	$ 256,149,990
Excluded related party receivable	(15,964)
Net Current Assets	$ 256,134,026
Current liabilities	$ 164,780,400
Current ratio	1.55
Total liabilities	$ 177,821,146
Total patrons' equity	$ 181,873,809
Less: Excluded related party receivable	(15,964)
Adjusted Total Patrons' Equity	$ 181,857,845
Total Liabilities to Total Patrons' Equities Ratio	0.98

COOPERATIVE REGIONS OF ORGANIC PRODUCER POOLS

GRAIN REPORTING REQUIREMENTS
As of December 31, 2016

Wisconsin Grain Reporting Requirement

The dollar amount paid for and bushels of producer grain procured and deferred payments for the year ended December 31, 2016 are summarized as follows:

	Total Amount Paid	Deferred Payment	Total Bushels Paid For
January	$ 129,794	$ 101,342	11,884
February	36,974	17,781	3,753
March	-	-	-
April	15,638	15,638	1,586
May	7,599	7,599	1,033
June	21,945	-	2,883
July	32,065	20,358	4,410
August	21,960	13,099	2,602
September	-	-	-
October	39,134	39,134	5,089
November	228,356	208,442	29,130
December	22,700	22,700	2,244
Total	$ 556,165	$ 446,093	64,614

As of December 31, 2016 and 2015, the cooperative had $16,227 and $261,616 grain obligations to grain producers and producer agents, respectively.

Iowa Grain Reporting Requirement

As of December 31, 2016, there are no differences between the grain obligations as included in the consolidated balance sheets and the monthly Iowa grain report for the year ended.

There are no collateral warehouse receipts.

There is no cooperative owned grain stored in unlicensed facilities.

There is $7,289 of unpaid cooperative owned grain as of December 31, 2016. Total outstanding grower contracts as of December 31, 2016 were $32,143 for a total of 2,679 bushels.

The dollar value of grain and number of bushels purchased during the year ended December 31, 2016 are summarized as follows:

	Dollar Value	Bushels
Corn	$ 125,592	$ 13,841
Soybean	34,767	1,958

Gross grain sales for the year ended December 31, 2016 were $17,944,108.

Gross non-grain sales for the year ended December 31, 2016 were $1,081,704,786 and cost of sales were $930,069,650. For the year ended December 31, 2016, depreciation and interest expense was $8,660,939 and $876,872, respectively.

Exhibit 2

SUBSCRIPTION AGREEMENTAND LETTER OF INVESTMENT INTENT

SUBSCRIPTION AGREEMENT AND LETTER OF INVESTMENT INTENT

Cooperative Regions of Organic Producer Pools (CROPP)
Class E, Series 4 Stock

This Agreement is between Cooperative Regions of Organic Producer Pools, a Wisconsin Cooperative (the **"Cooperative"),** and ____ (NAME(S) TO APPEAR ON ACCOUNT), the **"Subscriber(s)",** resident(s) of the State of ______________.

In consideration of the mutual promises contained herein, and other good and valuable consideration, the parties hereto agree as follows:

1. Agreement of Sale. The Cooperative agrees to sell to Subscriber, and Subscriber agrees to purchase from the Cooperative, _____________ shares of the Cooperative's Class E, Series 4 Stock (the **"Shares"**), for a purchase price of $50.00 per Share.

2. Payment of the Purchase Price. Concurrently with the delivery of this Agreement, Subscriber delivered a check directly to the Cooperative in the amount of $____________, payable to the order of **"CROPP Cooperative"** in full payment for the purchase of the Shares.

3. Representations and Warranties of Subscriber. In consideration of the Cooperative's offer to sell the Shares, Subscriber hereby represents and warrants to the Cooperative as follows:

(a) That Subscriber has received all requested information, has fully reviewed, and is familiar with the business and financial condition of the Cooperative, and has also reviewed the Cooperative's Offering Circular dated May 31, 2017 (the **"Offering Circular"**), and any and all exhibits attached thereto, as the same may have been amended by any supplemental disclosure statement made prior to the date hereof. Subscriber further acknowledges that Subscriber has had adequate time and opportunity to review the Offering Circular individually and with Subscriber's professional advisors, if any;

(b) That Subscriber believes that an investment in the Shares is suitable for the Subscriber and that the Subscriber is in a financial position to hold the Shares for an indefinite period of time and is able to bear the economic risk and withstand a complete loss of Subscriber's investment in the Shares;

(c) That Subscriber, either alone or with the assistance of Subscriber's own professional advisors, has such knowledge and experience in financial and business matters that Subscriber is capable of reading and interpreting financial statements and evaluating the merits and risks of the prospective investment in the Shares;

(d) That Subscriber recognizes that an investment in the Shares is highly speculative, illiquid and involves a high degree of risk, including, but not limited to, the risk of a complete loss of Subscriber's investment in the Shares;

(e) That the Subscriber certifies, under penalties of perjury, that the undersigned is **NOT** subject to the backup withholding provisions of Section 3406(a)(i)(C) of the Internal Revenue Code of 1986, as amended. *(Note: You are subject to backup withholding if (i) you fail to furnish your Social Security number or taxpayer identification number herein; (ii) the Internal Revenue Service notifies the Cooperative that you furnished an incorrect Social Security number or taxpayer identification number; (iii) you are notified that you are subject to backup withholding; or (iv) you fail to certify that you are not subject to backup withholding or you fail to certify your Social Security number or taxpayer identification number);*

(f) Subscriber is a bona fide resident of, and is domiciled in and received the offer and made the decision to invest in the Shares in the state set forth on page 2 hereof; and

(g) If an entity, Subscriber was not formed for the purpose of investing in the Shares.

4. Investment Purpose in Acquiring the Shares. Subscriber acknowledges that the Shares have not been registered under the Securities Act of 1933, as amended (the **"Securities Act"**), or applicable state securities laws and that such Shares will be issued to Subscriber in reliance on exemptions from the registration requirements of the Securities Act and applicable state securities laws and in reliance on Subscriber's and the Cooperative's representations and agreements contained herein. Subscriber is subscribing to acquire the Shares for the account of Subscriber for investment purposes only and not with a view to their resale or distribution. Subscriber has no present intention to divide Subscriber's participation with others or to resell or otherwise dispose of all or any part of the Shares.

5. Restrictions on Transfer and Restrictive Legend. Subscriber agrees that the Cooperative may place a restrictive legend on the certificates representing the Shares indicating that the Shares may not be re-sold or transferred without compliance with applicable federal and state securities laws. In addition, a legend shall also be placed on the certificates noting the restrictions on transfer contained in the governing documents of the Cooperative and the Cooperative may place a stop transfer order in its books noting the restrictions on transfer to which the Shares are subject. Subscriber understands that the Shares are not freely transferable and may, in fact, be prohibited from sale for an extended period of time and that, as a consequence thereof, the undersigned must bear the economic risk of investment in the Shares for an indefinite period of time and may have extremely limited opportunities to dispose of the Shares.

6. Miscellaneous.

(a) Notice. If any notification is required by law, such notification shall be deemed reasonable and properly given five (5) days following deposit in the United States Mail or one day following deposit in Federal Express or other reputable overnight service postage prepaid, addressed to the Cooperative or the Subscriber at the address shown herein.

(b) Successors or Assigns. The Cooperative and the Subscriber agree that all of the terms of this Agreement shall be binding on their respective successors and assigns, and that the term the "Cooperative'' and the term "Subscriber" as used herein shall be deemed to include, for all purposes, the respective designees, successors, assigns, heirs, executors and administrators. Notwithstanding the foregoing, this Agreement and the rights and obligations of the parties hereunder shall not be assignable, in whole or in part, by Subscriber without the prior written consent of the Cooperative.

(c) Governing Law. This Agreement shall be interpreted and governed under the laws of the State of Wisconsin, other than its choice of law provisions.

(d) Arbitration. Any controversy or claim arising out of or relating to this Agreement, the Subscriber's purchase of the Securities or any breach of this Agreement, shall be settled by arbitration administered in Dane County, Wisconsin by the American Arbitration Association in accordance with its Securities Arbitration Rules, and judgment on the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

(e) Representations to Survive Delivery. The representations, warranties, and agreements of Subscriber contained in this Agreement will remain operative and in full force and effect and will survive the payment of the purchase price pursuant to Section 2 above and the delivery of the certificates representing the Shares.

(f) Entire Agreement. This Agreement, including the Schedules and Exhibits attached hereto, constitutes the entire agreement of the parties relative to the purchase of the Shares by the Subscriber and supersedes any and all other agreements and understandings, whether written or oral, relative to the matters discussed herein.

By signing below, each Subscriber identified below hereby agrees to the terms and conditions of this Subscription Agreement and represents to the Cooperative that he or she is at least 18 years old.

→ ______________________________ ______________________________
Subscriber#1 Signature | Date

→ ______________________________ ______________________________
Subscriber #1 Name (Please Print)
(Must be 18 years or older)
Social Security # to be used for tax reporting
(Social Security # must match Subscriber #1 Name)

→ ______________________________ ______________________________
Subscriber#2 Signature | Date

→ ______________________________
Subscriber #2 Name (Please Print)
(Must be 18 years or older)

→ ____
Name(s) to be printed on Stock Certificate - *Name(s) should match account name as shown on page 1*

____
Federal Tax ID or EIN Number *(Necessary only if Subscriber is a partnership, corporation, limited liability company, trust, or other entity – paperwork indicating who may act as signatory on account must be attached.)*

→ ____
Address (if PO Box, please list street address also)

→ ____
City | State | Zip Code

→ ______________________________ ______________________________
Telephone Number | Email Address (optional)

→ Dividend Payment Options: (select one)

Reinvest dividends to purchase additional shares - subject to investor eligibility and availability of shares

By Check

By ACH Deposit (if ACH deposit, fill out form on page 4)

MAIL FORM TO: CROPP Cooperative, Attn: Equity Department, One Organic Way, La Farge, WI 54639

(This section completed by CROPP Cooperative):

The Cooperative hereby accepts the subscription evidenced by this Agreement:

Cooperative Regions of Organic Producer Pools

By: ______________________________ Date: ______________________________

Print Name: ______________________________ Title: ______________________________

Direct Deposit Request Form

ACH deposit only. No outgoing wires for payment of dividends.

All Fields are required

BANK INFORMATION:

Bank Name: ____

Bank Mailing Address: ____

Bank City, State, Zip Code: ____

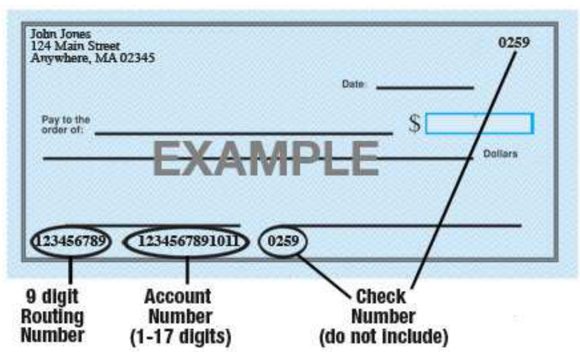
Bank Phone Number: ____

Name on Bank Account: ____

Bank Routing# (ABA): ____
[See example below]

Bank Account Number: ____
[See example below]

Checking Account   Savings Account   *****PLEASE ATTACH A VOIDED CHECK*****



Authorization Signature(s): X ______________________________ X ______________________________
(If joint account, both must sign)

Date: _____/_____/______   **Date:** _____/_____/______
DD MM YYYY   DD MM YYYY

OFFICE USE ONLY:	SH ID:	VEN. ID:	DT. MAILED:	DT SUBM. AP:
☐ SH EXC. FLAG	☐ SH DETAIL	☐ EXC. DOC. FLAG	☐ COPY(S) EQ. FILE	☐ VEN. SET-UP
OTHER ACNT: ☐ YES (FOLLOW-UP W/SH) ☐ NO		COMMENTS:		