



2008 Annual Review



*Enhancing producer profitability
through integrated service.*

NorthStar Cooperative
INC.



AntelBio

DHI

Sharing our success in 2008

Gary Smith, general manager



Once again, NorthStar Cooperative turned in record results for the year. All our employees in each and every business unit delivered terrific results and because of that, satisfied customers and stockowners like you invested in the products and services NorthStar offers. The board of directors and I are pleased to share with you the highlights of 2008.

- **Total sales grew \$3.3 million**
- **Long-term debt decreased 100 percent**
- **Patronage paid in cash to common stockowners grew 99 percent**
- **Return on equity improved 52 percent**
- **Patrons' equities grew by \$827,000**

Giving back to customers and stockowners

With a solid balance sheet we increased our support of various youth, leadership and industry programs. We amplified our giving through the NorthStar Cooperative and National DHIA scholarships, 4-H, FFA and the Dairy Challenge to help develop the next generation of producers. We invested in numerous collaborative efforts with industry partners to develop and support programming that assists with your farm profitability. We devoted more to research and development to expand the milk testing platform. We dedicated time and resources to employee training; allowing every NorthStar employee to become a more valuable partner in your operation.

Lastly, but most importantly we declared a record amount of patronage be paid to common stockowners and a dividend on preferred stock that far exceeds the general market place. In fact, the patronage declaration represents an 8.3 percent return on your purchases with the cooperative in 2008.

Taking steps to support future growth

Along with being able to give back more to our stockowners, NorthStar's strong financial position allowed us to take important steps to support future growth. In 2008 we invested in numerous long-term strategies.

We added new technologies to our DHI Services, making major investments in hand-held data handlers for cow ID and milk weights; blue-tooth adaptable wands for RFID; Tru-Test Electronic Milk Meters and sample vials with RFID chips. These are dramatic changes that are leading to improved on-farm identification accuracy; more precise milk and sample information; a reduction in labor and transportation costs; as well as more accurate and detailed information on your actual milking procedures.

We created the Training and Technical Services business unit to further develop the skill sets of NorthStar employees; and to be responsible for the recruitment of future employees. This area is led by Bruce Clark, DVM. Bruce and his team has made tremendous inroads in developing a continuing education and new hire training program. The launch of an on-line learning center in 2008 was the first of many steps in further developing our employees and making them more valuable to you and your operation.

We invested resources with our reproduction partner Select Sires to expand selection and confidence you have in



our product line. Our investments helped increase the number of sorting machines for our *gender* SELECTed™ product line, allowing you more choices. We initiated DNA parentage verification of young-sire offspring to further strengthen the trust and confidence you can have in our genetic offering. Working with new genomic DNA technology, we created the new gene MAX product line, which is a lineup of young bulls made available based on their genomic information and actual calving ease data.

We combined the experience of Antel-Bio Systems milk testing laboratory, with their research and development experience, to work on DNA purification for parentage verification through milk. We are currently combining this effort with NorthStar's DHI Services to integrate parentage testing throughout the DHI milk platform.

We did all these things with our promise to you in mind — “Enhance producer profitability through integrated services.” Everyone at NorthStar is committed to helping you be more profitable.

Thank you

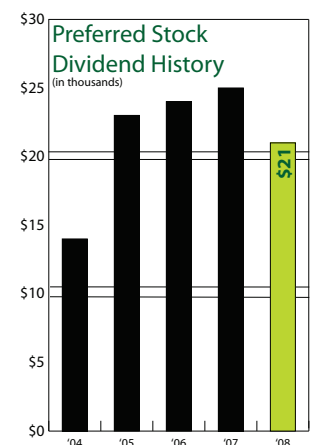
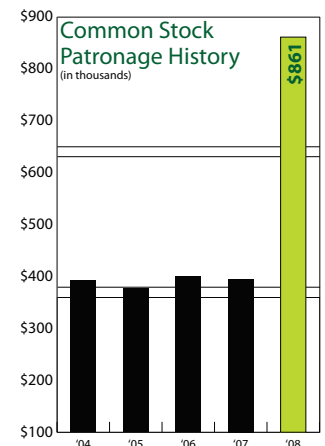
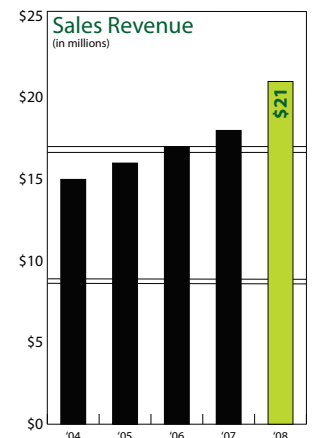
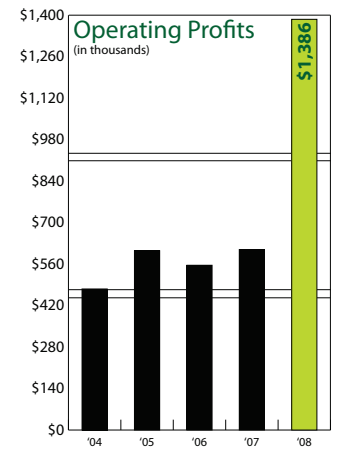
We enter 2009, our 65th year of business, with great results behind us and tremendous potential ahead of us. We appreciate the trust and confidence that stockowners, producers, and industry members have placed in NorthStar Cooperative and we look forward to another successful year of working together.



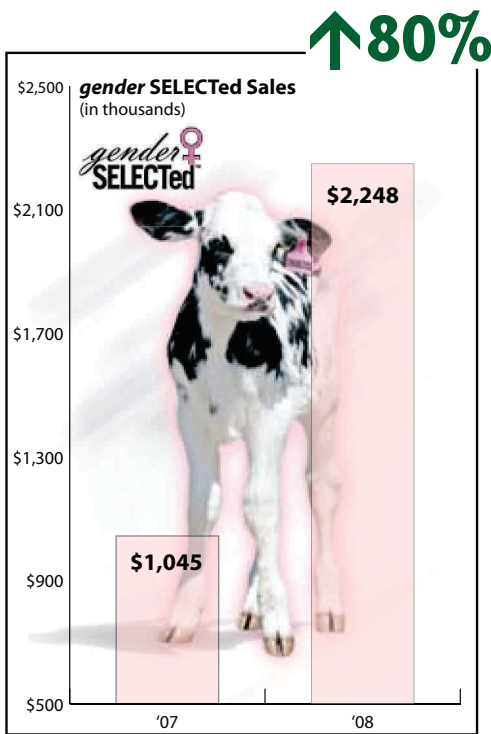
Financial Highlights

Year Ended September 30,	2008	2007	% chg
(in thousands)			
Summary of Operations			
Total Sales	\$21,309	\$17,975	+19%
Operating Profit	\$1,386	\$645	+115%
Net Profit	\$1,273	\$762	+67%
Return on Sales	6.0%	4.2%	+43%
Return on Equity	17.5%	11.5%	+52%
Other Data			
Net Cash provided by			
operating activities	\$274	\$1,757	-84%
Inventories	\$1,572	\$1,281	+23%
Capital Spending	\$526	\$384	+37%
Total Assets	\$10,480	\$9,725	+8%
Patronage to be paid in cash	\$431	\$217	+99%
Preferred Stock Dividends	\$21	\$25	-16%
Total Equity	\$7,685	\$6,858	+12%
Long Term debt	\$ —	\$286	-100%

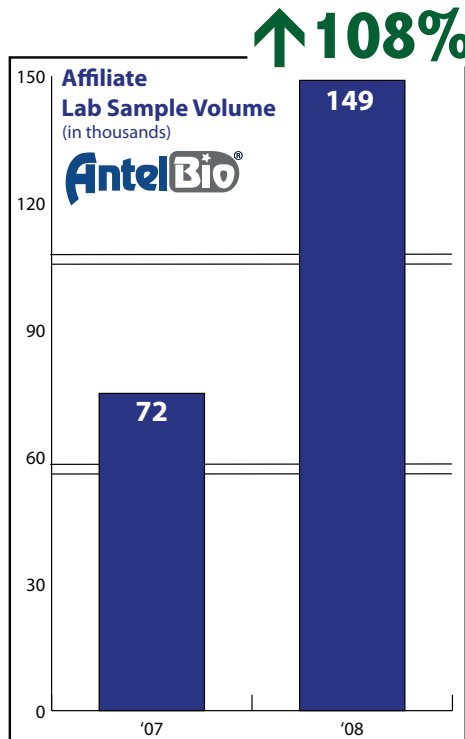
COMPLETED AUDITED FINANCIAL STATEMENTS AVAILABLE BY CALLING 800.631.3510.



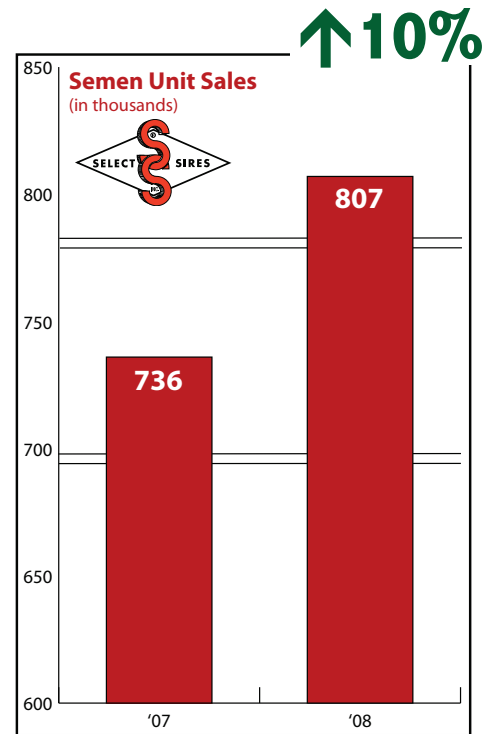
NorthStar business units deliver impressive growth



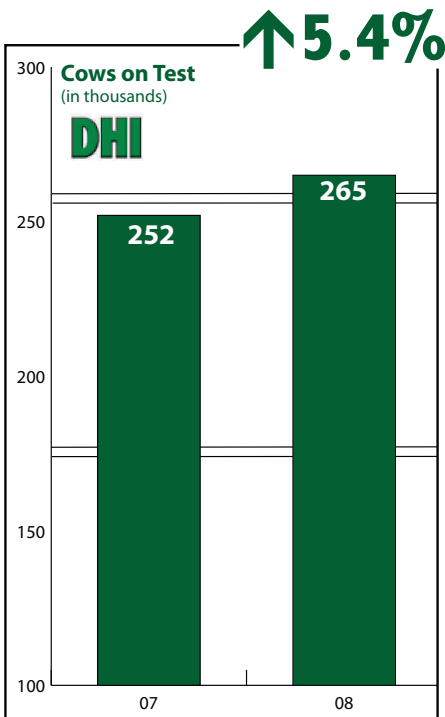
NorthStar's shared leadership through Select Sires to develop the highest quality, most reliable "sexed" semen product dramatically impacted sales. This combined with advancements in bull collection to produce more *gender*SELECTed semen, allowed our field people to capture a larger share of the market.



AntelBio's leadership on the national level played a significant role in the USDA's decision to include milk testing, through DHI samples in the National Johne's Voluntary Control Program Standards. In 2008, the number of affiliate labs that ran the Milk ELISA grew to ten and clearly supported AntelBio's record growth in sample volume and revenues.



The genetic value of Select Sires April and August '08 graduating classes was phenomenal. Breed-leading genetic offerings, along with the early identification and pre-collection of bulls allowed greater inventories to be available at the time of release. All of these factors contributed to the 10 percent sales increase.



A dedicated team effort by our DHI Services personnel helped NorthStar test over 2.5 million cows during the year. The implementation and use of new technologies like RFID equipment and Electronic Milk Meters allows NorthStar to provide speedier and more accurate services.

“Along with being able to give back more to our stockowners, NorthStar’s strong financial position allowed us to take important steps to support future growth.”

*— Gary Smith
general manager*



P.O. Box 23157 • Lansing, MI 48909-3157
800.631.3510 • northstarcooperative.com