

MMPA Supports CWT

Elwood Kirkpatrick
President



On May 6, the MMPA board of directors unanimously voted to support National Milk Producers Federation's Cooperatives Working Together (CWT) program provided there is 80 percent funding participation. A few days later, on May 9, the NMPF board also voted in favor of the program.

While some people may not agree with individual aspects of the program, the sentiment around the country and throughout our cooperative remains the same: "We have to do something about these low milk prices." I believe, as well as our board of directors, that the CWT program as a whole will help every dairy farmer in our cooperative.

As the program details are worked out in the coming weeks and months, we will continue to keep our members informed through the *Messenger*, our Web site, individual mailings and other communications as necessary.

The remainder of this column contains information provided by NMPF on the CWT program. If you have further questions about CWT, please contact me in the Novi office.

Elwood Kirkpatrick

CWT: Working to Balance Supply with Demand

NMPF

The membership of the National Milk Producers Federation took further steps May 9 toward the creation of an unprecedented new economic program to balance supply with demand in the dairy marketplace, and improve the prices that farmers receive for their milk.

The NMPF Board of Directors voted overwhelmingly to establish a three-pronged effort to trim domestic milk production over the next year. The NMPF-led initiative, Cooperatives Working Together (CWT), has also received the backing of several other dairy cooperatives not part of the NMPF membership, and will now formalize the broader participation of additional co-ops, and individual dairy producers not affiliated with a dairy cooperative.

The NMPF Board decided to move ahead with the establishment of the administrative structure of CWT, and directed NMPF's staff to finish work on the details of the multidimensional new program. The Board determined that collection of the producer assessment will begin when an adequate level of the nation's milk production is enrolled in the program. The Board set an enrollment target of 80 percent of national production. The NMPF Board will meet again by June 30 to authorize the final launch of the program.

"This decision by our members is an historic turning point for the dairy industry," said Jerry Kozak, NMPF President and CEO. "Never before have dairy farmers gotten this far in creating a voluntary, industry-led program to help themselves." CWT will be funded through an 18 cent per hundredweight assessment on participants in the program.

The money raised by the assessment will be used to fund three efforts that will prune dairy supplies and help stabilize prices: an export assistance program to enhance commercial sales of cheese and butter in foreign markets; a reduced production marketings program to provide incentives for farmers to decrease their milk output; and a herd retirement program that will pay farmers to sell their entire herds of dairy cows. All the programs will operate on a bid basis, meaning

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that interested parties will be asked to submit bids to be compensated for their involvement in the activities.

Taken together, the three programs are designed to pare milk supplies by 4.6 billion pounds during the 12 months that CWT is scheduled to operate. The targeted economic impact of the supply reduction program is an average increase of \$1 per hundredweight in the price that farmers receive for their milk.

CWT's rapid development – coming just seven weeks after the NMPF Board first decided to explore such a program – is a reflection of the fact that farmers across the country are facing the lowest milk prices since 1978. The U.S. Department of Agriculture reported that April's all-milk price, \$10.90 per hundredweight, is the lowest in 25 years.

“Never before have dairy farmers gotten this far in creating a voluntary, industry-led program to help themselves.” - Jerry Kozak

“This undertaking has received broad-based support because the price problem is a challenge facing all farmers, large and small, in the East, the Midwest, and out West. Everyone is suffering, and that's why we need everyone's commitment to be part of the solution,” Kozak said.

Five regional targets have been established for the amount of milk output that CWT reduces. Kozak said that the regional parameters “are designed to ensure that we don't pull milk supplies out of areas that are already struggling with declining milk production.”



In addition, the herd retirement program, which is intended to remove 125,000 milk cows from a national dairy herd of approximately 9.2 million, will be operated to minimize any adverse impact on beef prices.

Typically, 35 million cattle, including three million dairy cows, are sent to market each year, so the overall impact of the herd reduction – adding an additional three-tenths of one percent to the nation's beef supply – “is extremely small when you look at the big picture,” Kozak said. He indicated that the dairy cattle removed through CWT will be culled over a four-month period beginning this summer – a time when beef marketing tends to be slower.

Kozak said that in addition to strengthening producer prices for milk, CWT will also help provide

some stability to farm-level prices that have become increasingly volatile in the past decade.

Although it is intended to operate for 12 months, “we don't anticipate just walking away from this effective tool we are creating. We can certainly foresee a longer-term role for CWT's supply-balancing activities,” Kozak said.

“Dairy farmers realize that CWT is the best opportunity we have to seize control of their destiny. In addition to its economic benefits, CWT will help provide optimism about the future of our industry, and reinvigorate the cooperative spirit amongst dairy farmers,” he said.

CWT's Three-Prong Approach

- an export assistance program to enhance commercial sales of cheese and butter in foreign markets
- a reduced production marketings program to provide incentives for farmers to decrease their milk output
- a herd retirement program that will pay farmers to sell their entire herds of dairy cows.

All three programs will operate on a bid basis, meaning that interested parties will be asked to submit bids to be compensated for their involvement in the activities.