Plain Talk

By Elwood Kirkpatrick
President

CWT Approved for Third Year

The Cooperatives Working Together (CWT) program begins its third year of operation on July 1. Based on the success of the first two years of the program, the CWT committee and the National Milk Producers Federation Board of Directors are endorsing a third year of the program.

The third term of CWT will run from July 2005 through December 2006 and will retain the current 5-cent per hundredweight funding. The program's focus will also remain the same: to reduce cow numbers and boost exports of manufactured dairy products.

To manage and guide program operations, the CWT committee has formulated a set of benchmarks for the industry. These benchmarks were created to ensure CWT's mission, "to strengthen and stabilize milk prices for producers," is carried out.

Herd Retirement has become a long-term tool that works well to accomplish CWT's mission by stabilizing milk prices over an extended period. Several benchmarks have been set for the Herd Retirement program:

- Maintain the national milking herd below 9 million cows.
- Cow numbers should be reduced by approximately 0.5 percent from each year to offset increased productivity per cow.
- Maintain national monthly milk production at approximately 14,000 million pounds per month.
- Maintain a monthly slaughter rate of approximately 205,000-210,000 cows per month.

Benchmarks for the Export Assistance program establish a target price CWT will accept minimum bids in the neighborhood of $1.40 for cheese and $1.30 for butter. Export Assistance is viewed as a short-term tool that helps to support and strengthen prices.

If you look at the graphs on this page, you can see that cow numbers are working their way up as the all-milk price begins a downward trend. Based

on market indicators, we believe it will be necessary to remove 2.6 billion pounds of milk production over the 18-month CWT program timeframe to reverse these trends. According to program calculations, removing 70,000 cows through Herd Retirement should account for the 2.6 billion pounds of milk.

CWT plans to use 80 percent of the program's funding to carry out Herd Retirement; the remaining funds will be utilized by Export Assistance.

Having an excess of 70 percent of the nation's milk committed to CWT illustrates we, the nation's dairy farmers, believe that this self-help program is having a positive impact on our milk prices. MMPA's former General Manager, Walt Wosje (CWT's current Chief Operating Officer) has told us that he has received extensive feedback from farmers and cooperatives that CWT has a positive impact on dairy prices and needs to remain a viable program going into the future.

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