# Plain Talk

**By Elwood Kirkpatrick**
**President**

## CWT Contributions Increase

During our local meeting season, many of you asked me when and if the Cooperatives Working Together (CWT) program will increase the producer contribution from 5 cents per cwt. to 10 cents per cwt. to help offset declining milk prices. Across the nation, other dairy farmers were asking their cooperative leaders the same thing.

National Milk Producers Federation established the following benchmark goals for the last CWT program prior to its implementation:

- Maintain national cow numbers below 9 million
- Reduce cow numbers by 1/2 a percent per year
- Maintain U.S. monthly milk production below 14 million pounds,
- Maintain a monthly cull rate of 205,000 to 210,000 cows

With requests to raise the CWT contributions and many of the program's benchmark goals not being met, CWT officials quickly responded by conducting a feasibility study. The study determined a 10-cent contribution would address declining milk prices caused, in part, by the 3.5 percent surge in milk production we experienced last year. With that information available, the CWT members voted in early March to go ahead with the higher assessment, which will begin July 1, 2006 and run through 2007.

The extra nickel per hundredweight collected through the new assessment will be used to fund more herd retirement rounds and continue the ongoing export assistance program. It is important to note that CWT will not be able to implement a herd buyout immediately. Contributions being collected from the current CWT program are still being used to pay for the last herd buyout. The new assessment collected after July 1 will be used to accumulate money for another herd buyout.

In addition to doubling the assessment, the CWT members also enhanced several aspects of the program to ensure maximum effectiveness from our contributions:

- Regional safeguard levels in the Northeast, Southeast and Midwest were raised to 3/4 of one percent of each region's annual milk production, up from 1/2 of one percent.
- Whole Milk Powder was added to the list of dairy products eligible for export using CWT bonuses. Additionally, Mexico, a major market for WMP, was added to the list of eligible destinations for that specific product.
- The target price for cheese under the export assistance program was moved from $1.40 per pound, to $1.30. The target butter price remains at $1.30 per pound.

National Milk Producers Federation expects that once the new assessment begins, overall participation in CWT will remain at the 74 percent level of the nation's milk supply that it currently enjoys. Presently, 49 member cooperatives and hundreds of individual dairy producers are paying into CWT.

The speed in which the CWT managers were able to implement our requests to increase our contributions to the program is a testament to how well the dairy industry as a whole can work together to accomplish great things. This cooperation makes me proud to be part of such a great industry.

We will keep you informed through this article and other communications as to when the next round of herd retirements will begin as well as how CWT is making an impact on our milk prices. If you have any questions, please contact me in the Novi office.

Elwood Kirkpatrick