



CWT Boosts Milk Price 40 Cents

October is cooperative month. The strength and teamwork demonstrated by cooperatives can be celebrated through new research that reveals the economic benefit we receive as contributing members of Cooperatives Working Together (CWT).

The sting of low milk prices has found many dairy farmers asking if their additional contributions to the CWT program are really worth it. In July, we began contributing 10 cents per hundredweight to CWT, doubling our past contributions to the program. As we pinch pennies on our operations, we need to be assured of the economic impact the CWT program is making for our farms.

An independent economic evaluation recently conducted by University of Missouri dairy economist Dr. Scott Brown shows that, on average, CWT has given us a 40 cent/cwt. boost in milk prices between the years of 2004-2006. In fact, he surmises we are currently receiving a 60 cent/cwt. premium over what dairy prices would have been without CWT's influence.

Dr. Brown used the same computer economic model used by U.S.

Congress to measure the effects of national agriculture policies. From the onset, he had voiced his skepticism of the long term effects that CWT would have on the industry, but his research found otherwise.

It is important to note that Dr. Brown's analysis isolates the impact per hundredweight of CWT's programs from other factors that affected milk prices such as Canada's border being closed and the past shortage of rBST.

Timing was everything when each of the three herd retirement programs removed cows in the fall or early months. Dr. Brown noted that the timing of those programs resulted in the greatest price impact during the following year. It also shows that the impact on milk prices has been cumulative, growing with each herd retirement conducted by CWT.

His research also factored in heifer calves that would have been produced had the cows not been removed. As an example, if half of the cows removed in 2003 had been bred and half of those had heifers, those heifers would have been producing milk in late 2005 and 2006.

What does all this mean? It means that CWT continues to affect milk prices and that our dime contribution to the program is providing us with a decent return on average of 40 cents/cwt. The cumulative effect continues with each contribution we make, causing our return on investment to grow.

So celebrate Cooperative Month during October – through the efforts of many dairy cooperatives working together, we have created a more profitable dairy industry for our future. And that is a classic definition of cooperatives – people working together to share in the benefits of their efforts.

The CWT board is scheduled to meet in late October to determine how to best utilize our contributions for the 2006-2007 fiscal CWT year. I am hopeful that we will be able to set a timeline for the next herd retirement program during this session.

We will keep you updated on the progress of CWT through this article and other correspondence. If you have any questions, please contact me in the Novi office.

Year	2004	2005	2006	Average
U.S. Average Milk Price	\$16.05	\$15.14	\$13.38	
Herd Retirement Impact	\$0.18	\$0.42	\$0.51	
Export Assistance Impact	\$0.01	\$0.00	\$0.09	
Total Cumulative CWT Impact	\$0.19	\$0.42	\$0.60	\$0.40

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