

Cooperatives Working Together

A voluntary program that is
producer-led and producer-funded.



CWT's objective:

- To strengthen and stabilize producer milk prices by taking actions as necessary to positively impact supply and demand.

How CWT operates

- It is an NMPF program.
- It administered by the CWT Committee
 - All participating cooperatives have at least one representative on the committee
 - The individual producer representatives have two representatives
- Funding comes from an assessment on producers' milk marketings.
- CWT staff makes program implementation decisions.

CWT: Multidimensional

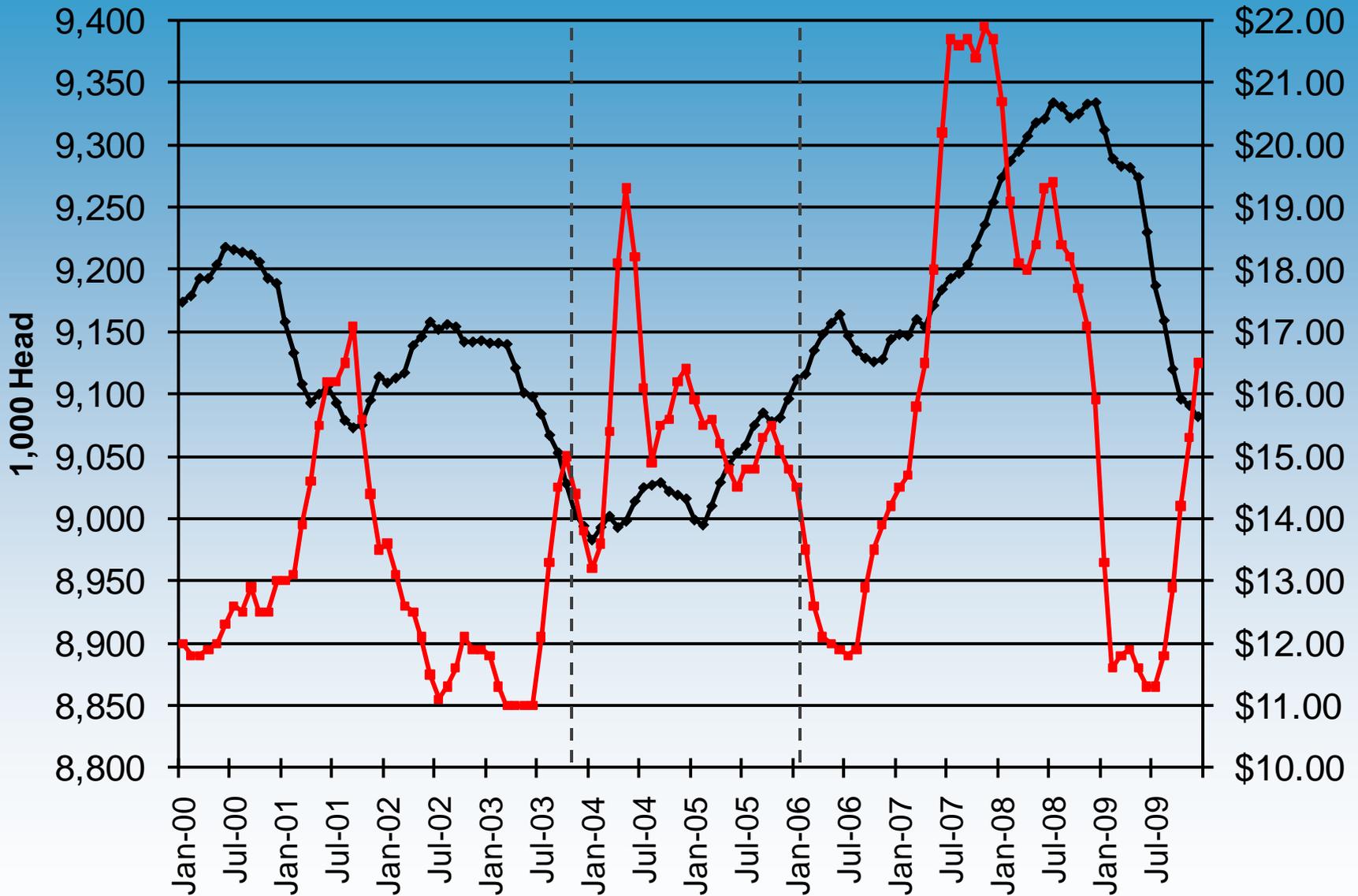
- On the supply side: The herd retirement program reduces the number of cows in the national herd and thus milk production.
- On the demand side: An export price assistance program that helps stimulate the sale of U.S. dairy products overseas

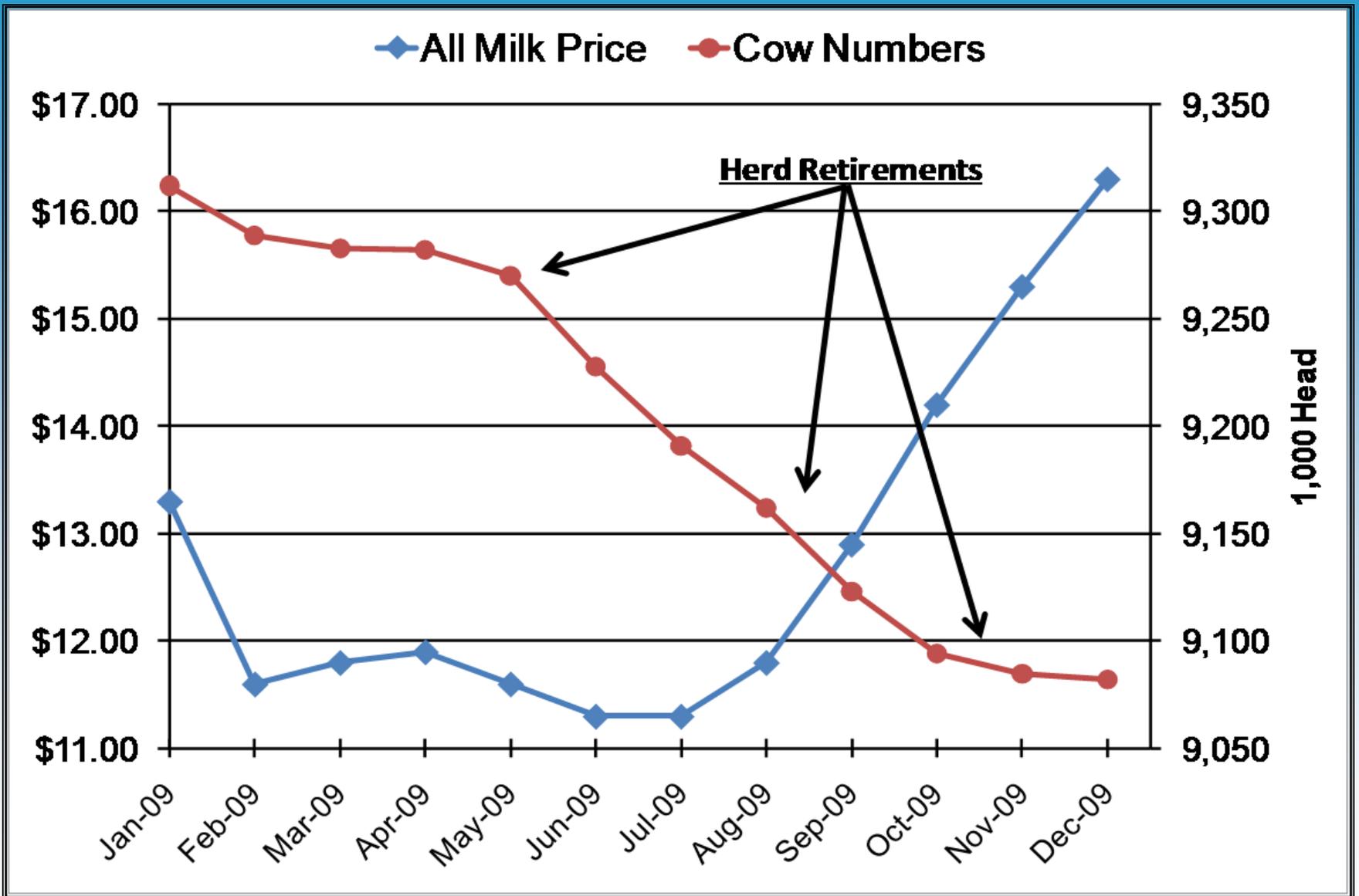
Herd Retirement Procedures

- Economic analysis of benchmarks
- Producers bid per cwt.
 - To be paid for 12 months milk production
 - Send all milking and dry cows to slaughter
- Bids accepted based on
 - Bid level
 - Consistency of milk production
- Selected farms audited, cows tagged
- 15 days to move cows

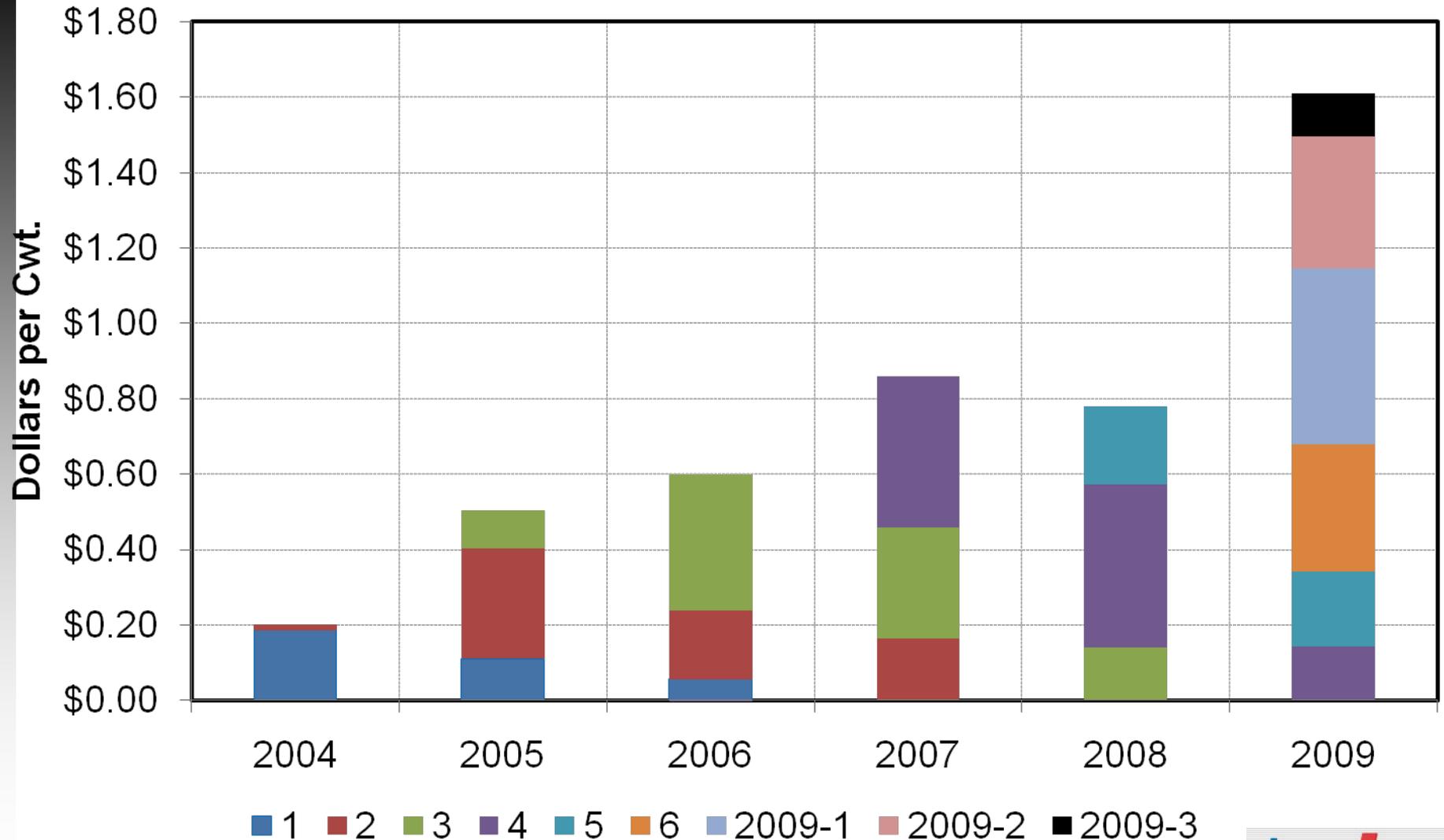
Herd Retirement	Farms Accepted	Cows Removed	Pounds of Milk Removed (billion lbs.)	Average Herd Size
2003	299	32,724	0.609	109
2004	363	50,478	0.908	139
2005	442	64,069	1.174	145
2007	333	52,783	1.001	159
2008-1	201	24,585	0.432	122
2008-2	186	50,630	0.976	272
2009-1	367	101,040	1.960	275
2009-2	274	74,113	1.523	270
2009-3	150	25,340	0.505	169
Total	2,615	475,762	9.088	182

—●— Milk Cows —■— All Milk





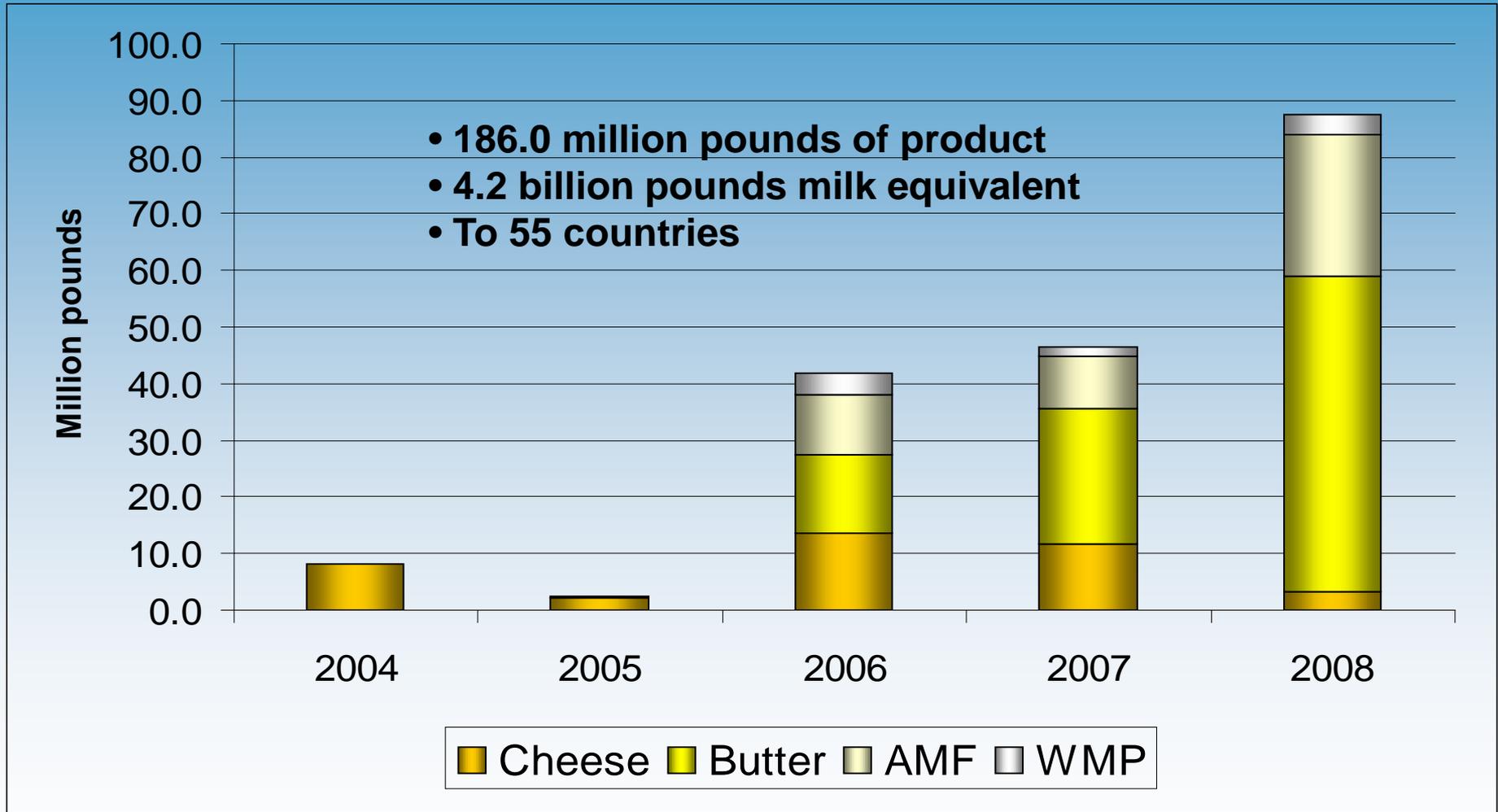
EFFECT ON ALL MILK PRICE, BY HERD RETIREMENT



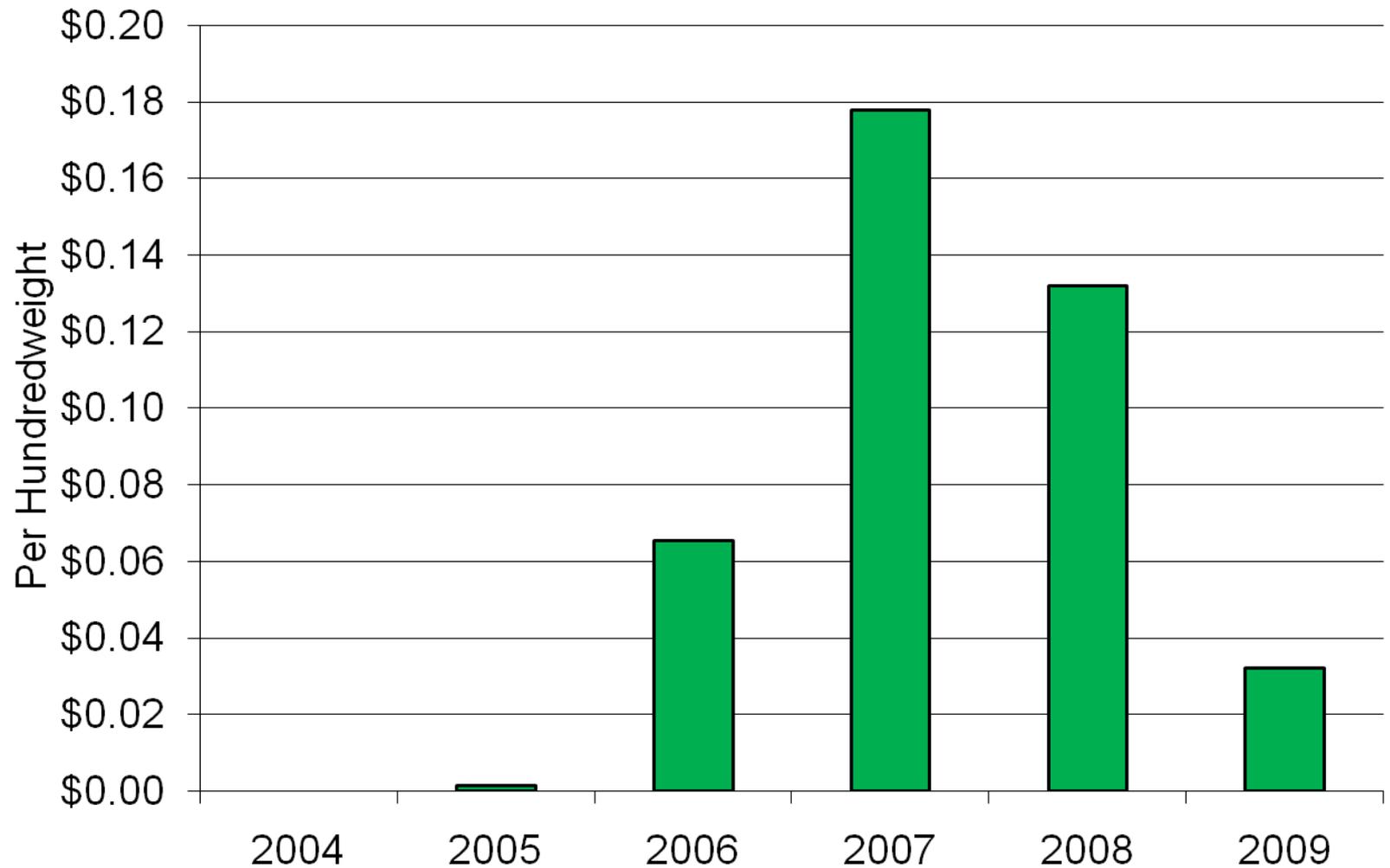
Export Assistance Program

- CWT member cooperatives bid for financial assistance
 - Eligible products
 - Butter
 - Butter oil*
 - Anhydrous milk fat*
 - Cheddar
 - Colby**
 - Monterey Jack**
 - Gouda**
 - Swiss**
 - Mozzarella**
 - Low-moisture Mozzarella**
 - Part-skim Mozzarella**
 - Low-moisture, part skim Mozzarella**
 - Whole Milk Powder
 - Parmesan
 - Asiago
 - Romano
 - Provolone
 - Skim Milk Powder (certified 34% protein standardized)
 - Butter Blends – Minimum 75% butterfat*

Export Assistance Program



EFFECT OF EXPORT ASSISTANCE ON MILK PRICES



EFFECT ON ALL MILK PRICE, By CWT PROGRAM

TOTAL
EFFECT

\$0.22

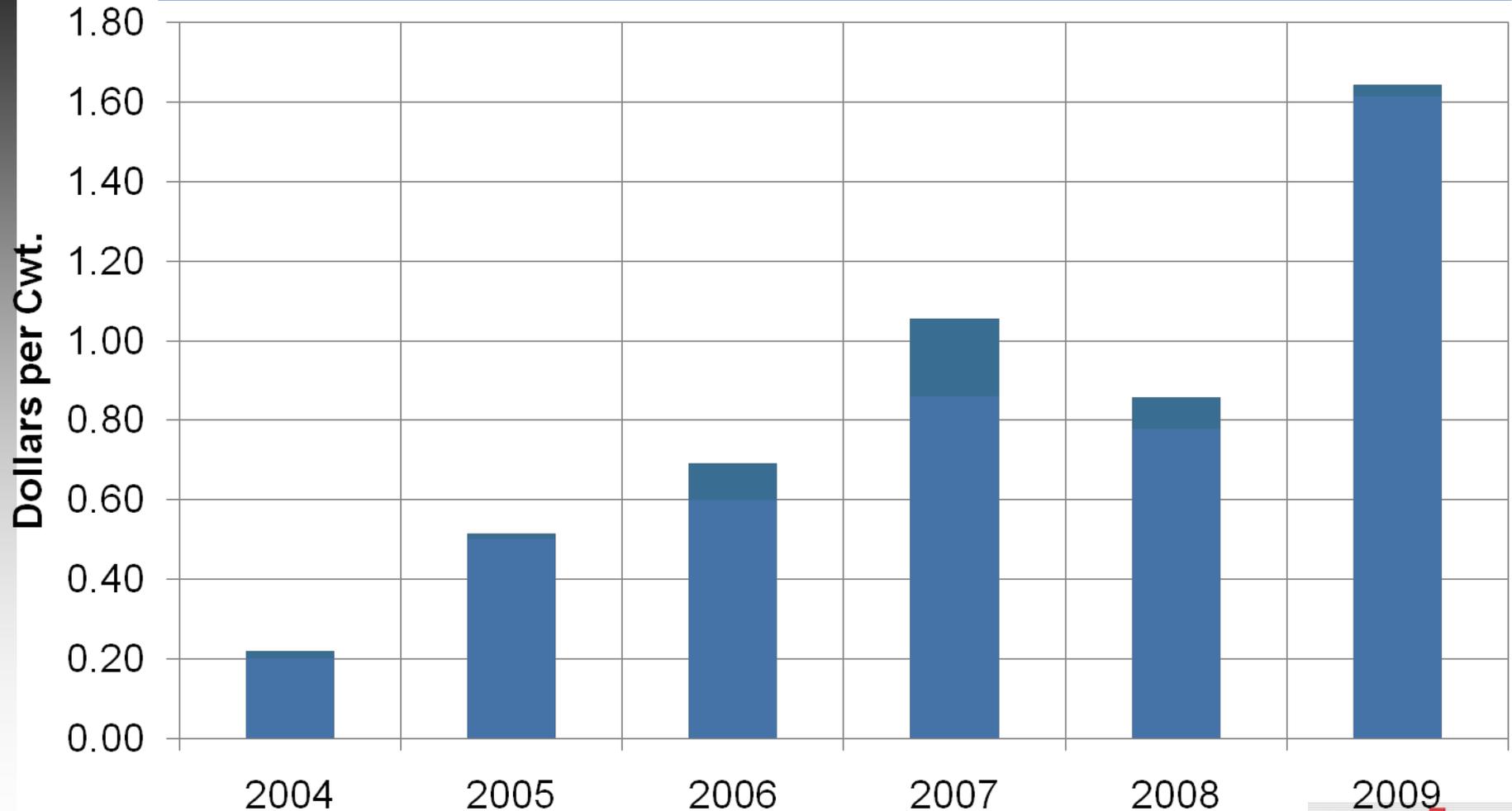
\$0.52

\$0.69

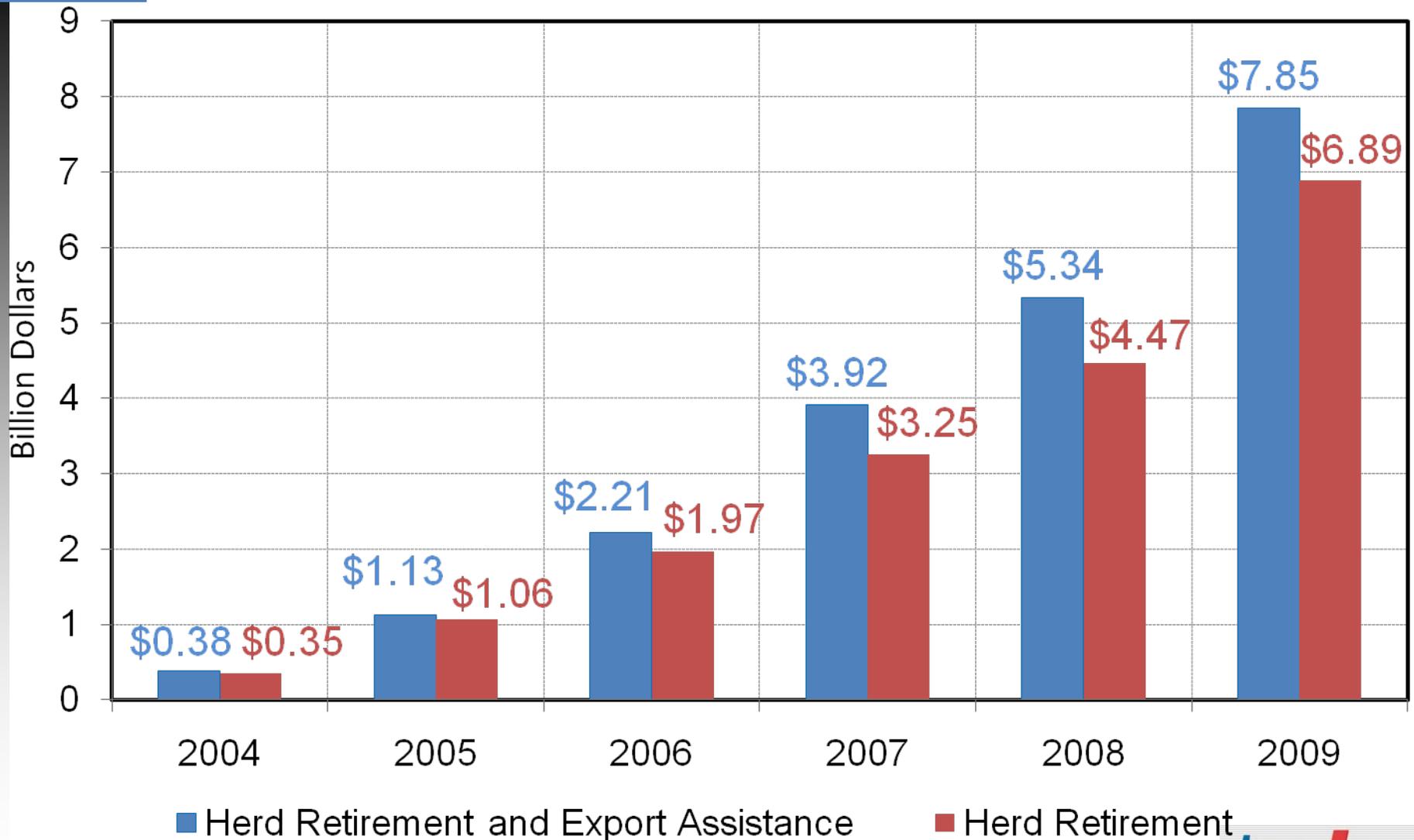
\$1.06

\$0.86

\$1.64



CUMULATIVE CHANGE IN MILK MARKET REVENUE UNDER THE CWT PROGRAM



CWT Program Changes, Additions

- Whole/Partial Herd Retirement - allows producers to reduce herd size/milk production from 5% to 100%
- Replacement Heifer Reduction Program - reduces heifer inventories when needed levels exceeded
- Domestic Product Diversification Initiative - allows members to compete with dairy imports in the US market
- Export Assistance Program – strategic business plan being updated, eligible products being reviewed
- Export Marketing Agency in Common (EMAC) under study to market products in key overseas markets

Questions