



News Release

National Milk Producers Federation • 2101 Wilson Blvd., Arlington, VA 22201 • 703-243-6111 FAX 703-841-9328



FOR IMMEDIATE RELEASE
Thursday, October 28, 2010

Contact: Christopher Galen
(703) 243-6111 ext. 356

CWT COMMITTEE VOTES TO FOCUS ON EXPORTS AFTER 2010 Members Support Self-Help Program Targeting Export Markets in 2010-2011

RENO, NV – Members of Cooperatives Working Together (CWT), the dairy farmer-funded self-help program, voted Tuesday to focus the seven year-old program exclusively on building export markets after 2010.

At the annual meeting here in Nevada of the National Milk Producers Federation (NMPF) – which manages CWT – CWT’s management committee determined that an export-centered program was the most appropriate course to follow in the future. This means that CWT will no longer fund any herd retirement rounds, through which CWT member farms are paid to reduce their herds. CWT conducted its 10th and final herd retirement this past summer.

“CWT has undergone several shifts in how it has been operated since it started in 2003,” said Jerry Kozak, President and CEO of NMPF. “The decision to drop the herd retirement program, but to maintain the basic structure of CWT with an exclusive focus on helping sell U.S.-made dairy products in foreign markets, allows CWT to continue making positive contributions to dairy farmers’ bottom lines.”

NMPF’s Board of Directors voted Tuesday to support a CWT program that will be funded at two cents per hundredweight, starting Jan. 1, 2011, and running through 2012 (the program currently collects 10 cents/cwt. on its members' milk volume). Members also determined this week that 75% of the nation’s milk supply must be contributing at that level in order for the program to continue. They also voted to take the remaining funds not allocated so far in 2010, and shift those to the export assistance program in 2011.

-more-

CWT NEW RELEASE///PAGE TWO

A presentation by Dr. Scott Brown of the University of Missouri showed that the Export Assistance program has provided an excellent return on investment. For every one dollar spent assisting CWT member cooperatives in making export sales, U.S. dairy farmers received \$15.53 in additional revenue. CWT's export activity in 2010 has returned 18 cents per hundredweight, according to Brown's analysis.

Kozak said that the herd retirement program "has reached a point of diminishing returns, where there were a declining number of member farms that were expecting to use CWT as a means to liquidate their herds. On the other hand," he said, "the export assistance program has grown in popularity, and has been extremely active in 2010 by assisting members export the milk equivalent of more than one billion pounds of butter, butterfat, and cheese."

Growing export markets through the use of export bonuses "makes sense from an economic and a political perspective, and helps the U.S. sell products where there is the greatest potential. We're pleased to see that CWT will remain an important and unique tool going forward."

Dr. Peter Vitaliano, NMPF's Vice President, Economic Policy & Market Research, provided an in-depth analysis showing that the dairy disaster of 2009 was not the result of a lack of demand – domestic demand grew by 1% and total world imports grew by 7%. "The crisis of 2009 was caused by a collapse in world prices which caused a collapse in U.S. access to world dairy markets," said Vitaliano. His analysis showed that the volume of U.S. dairy exports dropped 22% in 2009 primarily due to the inability to compete at the price levels necessary to maintain export sales. The Export Assistance program could have positively affected that situation which more than offset the 1% increase in domestic sales.

Vitaliano noted that exports now represent a major commercial market for U.S. milk and is the fastest growing one contributing twice as much new market growth for U.S. milk as the growth in domestic sales of the major consumer dairy products.

-more-

CWT NEW RELEASE///PAGE THREE

“This analysis shows that refocusing CWT’s efforts to maintaining U.S. participation in export markets will positively impact U.S. dairy producer margins,” said Kozak. “While reducing the milk supply through herd retirements has positively impacted producer prices, utilizing funds going forward in the export assistance program will allow CWT to respond more positively and more quickly to market conditions that can negatively impact producer margins.”

In the coming weeks, CWT will be reaching out to all cooperatives and all independent producers in order to achieve the minimum 75% participation level needed to move forward with the collection of the additional two cent investment that will providing total funding of approximately \$40 million per year.

Kozak said that the membership commitment will be 24 months for both cooperatives and individual dairy farmers. This will allow CWT to develop an export assistance strategic plan as to how and when to best utilize the funds committed, he noted.

Cooperatives Working Together is funded by dairy cooperatives and individual dairy farmers, who are contributing 10 cents per hundredweight assessment on their milk production. The money raised by CWT’s investment is being apportioned between two supply management programs that strengthen and stabilize the national all milk price. For more on CWT’s activities, visit www.cwt.coop.

###