

NMPF Town Hall Meeting
October 29, 2008
Jim Tillison, COO



2nd 2008 Herd Retirement

- Announced October 24th
 - Press Release and news conference
 - E-mail and mailing to cooperative members
 - Mailing to individual producer members
 - Postcard announcement to all producers
- Must be CWT Member as of January 2008
- Bred Heifer Option included
- All forms and information on website, www.cwt.coop

2nd 2008 Herd Retirement Timeline

- ✓ October 24, 2008 > Bid process opens
- ✓ November 24, 2008 > Postmark deadline for submitting bids
- ✓ Nov. 25 – Dec. 5, 2008 > Independent audit firm bid analysis
- ✓ December 8-10, 2008 > Bids reviewed, final selection by CWT staff
- ✓ December 15, 2008 > Farm audits begin
- ✓ January 12, 2009 > All bidders receive notification

1st 2008 Herd Retirement Round

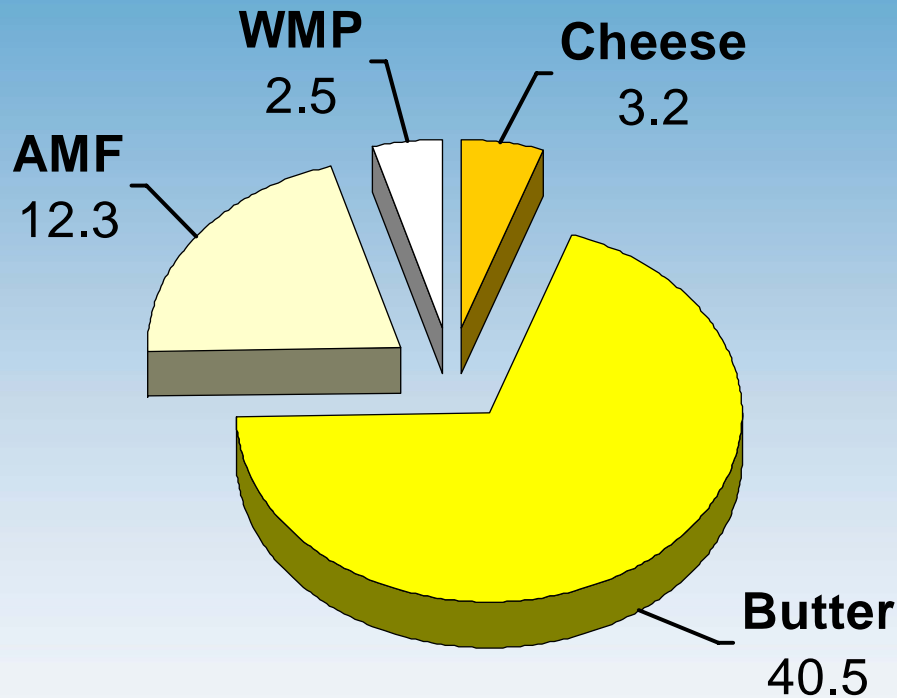
- 607 bids submitted, 41 states
- 201 bids accepted, 37 states
- 24,585 cows removed
- 432 million pounds of milk
- 275 bred heifers
- Average bid = \$6.10

1st 2008 CWT Herd Retirement

	Northeast	Southeast	Midwest	Southwest	West	Total
Bids Submitted	90	106	184	127	100	607
Bids Accepted	29	35	74	36	27	201
Volume of Milk (million pounds)	54.6 (13%)	64.4 (15%)	66.3 (15%)	84.6 (20%)	161.8 (37%)	431.7
Number of Cows	2,776 (11%)	3,987 (16%)	3,849 (16%)	5,180 (21%)	8,793 (36%)	24,585
Average Bid	\$6.06	\$6.25	\$5.84	\$5.98	\$6.35	\$6.10

2008 CWT Assisted Exports

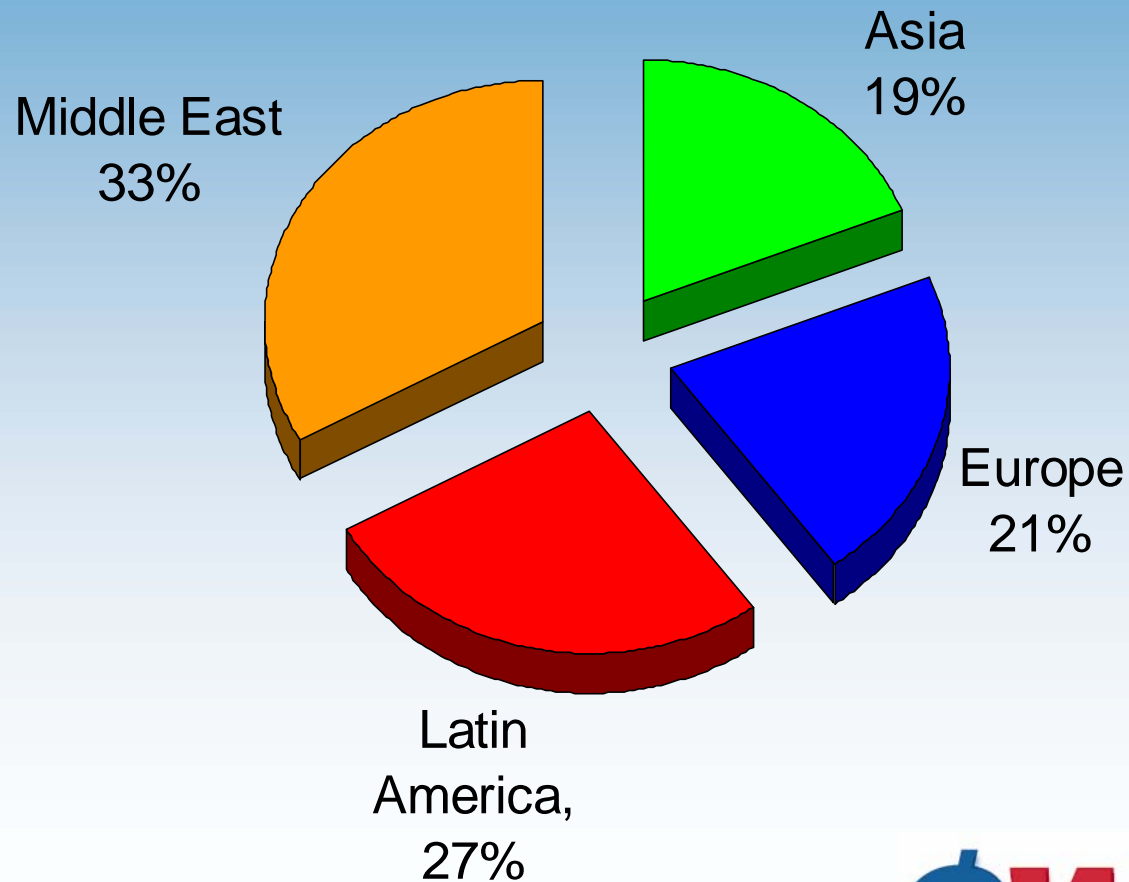
(millions of pounds, YTD 10/17/08)



- Milk Equiv. 1.28 billion pounds
- Funds Committed: \$11.7 million

2008 Assisted Exports Destinations

(% of total pounds)



The Impact of the CWT Program on the U.S. Dairy Industry

Dr. Scott Brown

Brownsc@missouri.edu

2008 CWT Town Hall Meeting

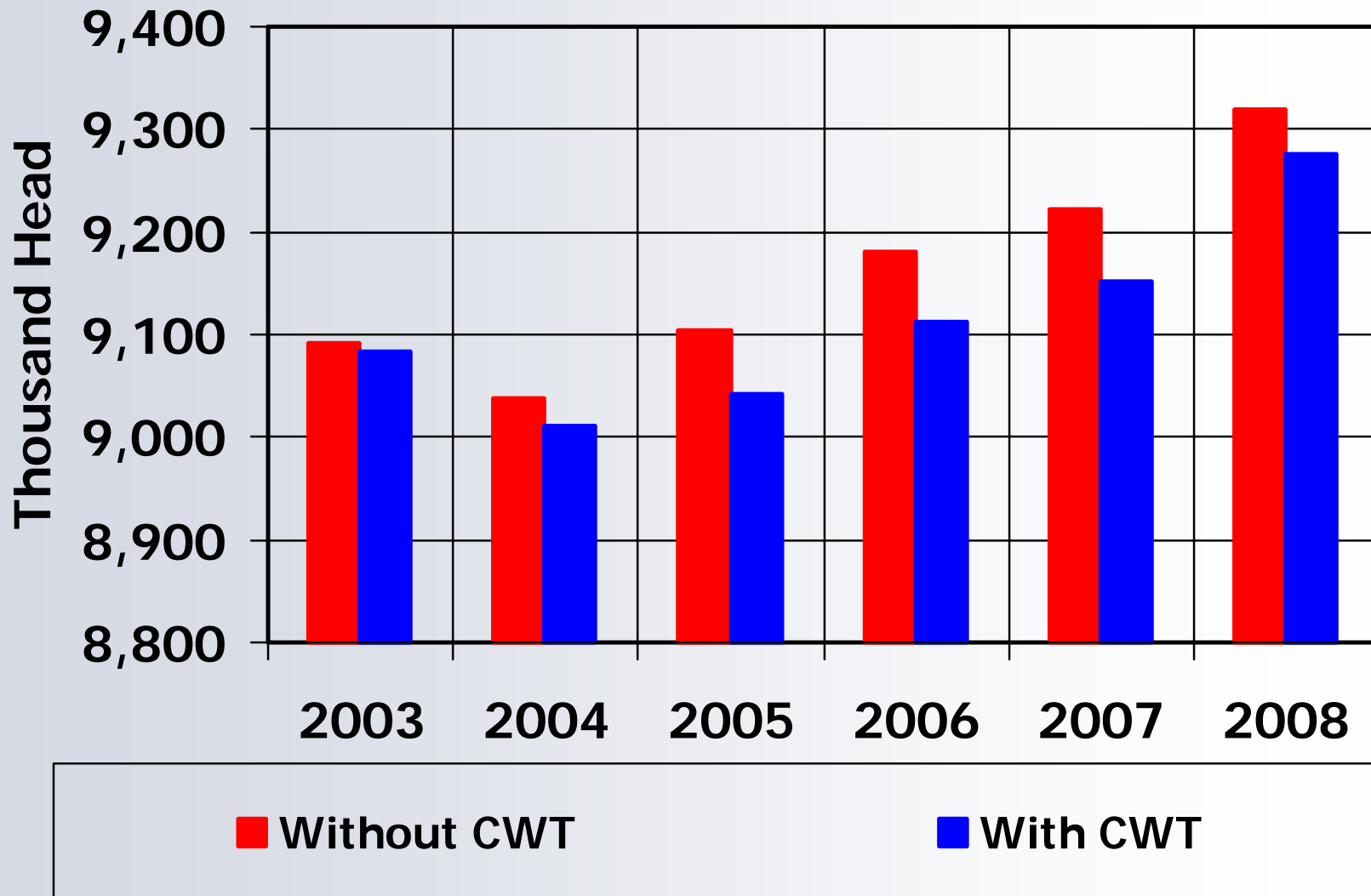
The Process of Analyzing the CWT Program

- Analysis uses a structural econometric model that replicates the important decision points in the dairy industry
 - Used extensively by US Congress to measure policy effects
 - This tool provides a meaningful way to compare alternatives
- This process allows for the effects of the CWT to be separated for everything else that has occurred in the industry during the operation of CWT program
- The analysis shown here examines on an annual basis (2003 – 2008) where the industry would have been without the CWT program

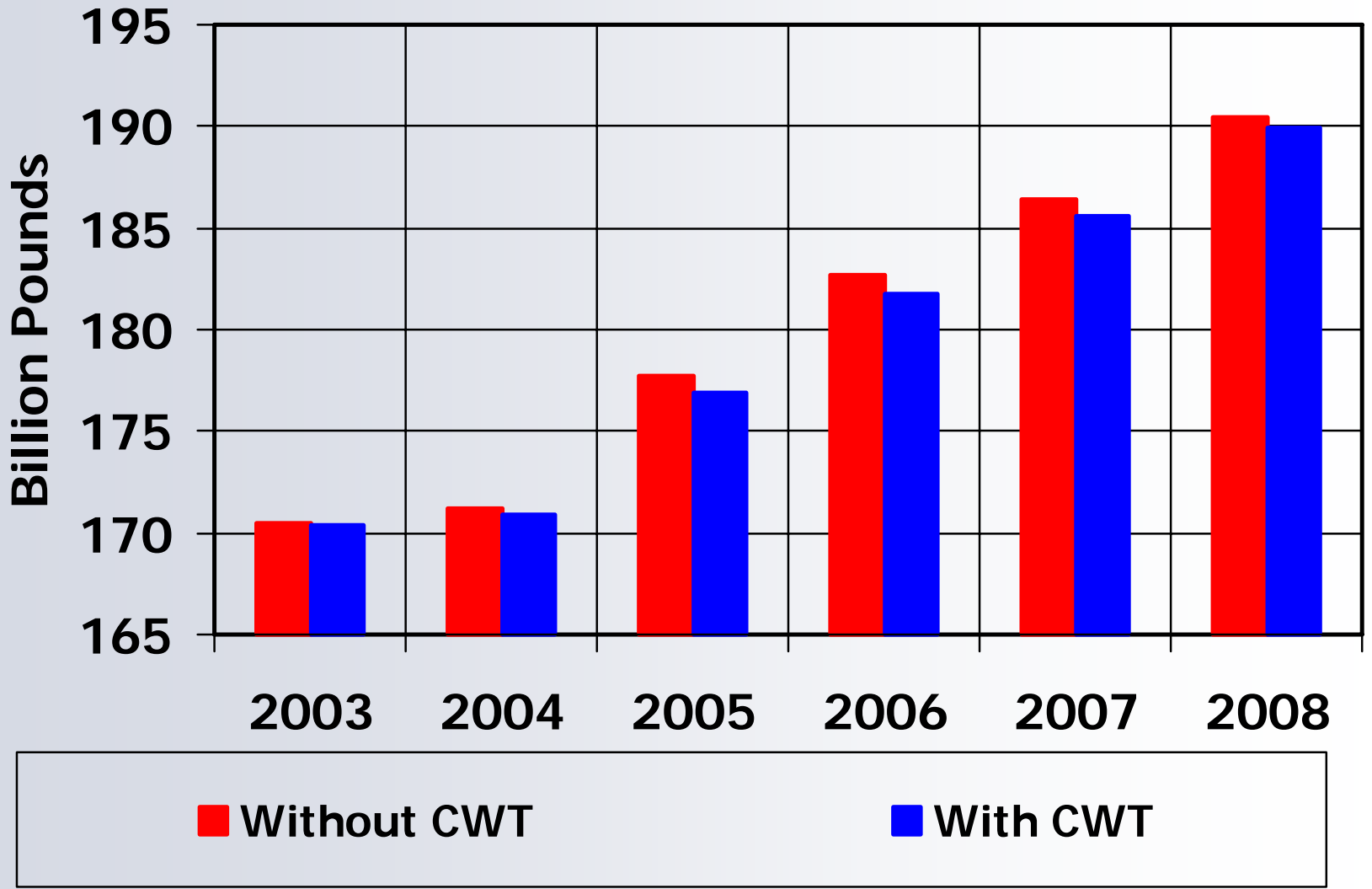
CWT Assumptions

- Herd Retirement
 - Incorporates the five herd retirements held to date
 - Explicit accounting of CWT cows removed and the loss of their future heifer calves
 - Supply response from higher prices included
 - Bred heifers included
- Export Assistance
 - Very few dairy products moved under this program until 2006
 - Actual deliveries used through 2007
 - This analysis includes export assistance bids as of 10/16/08

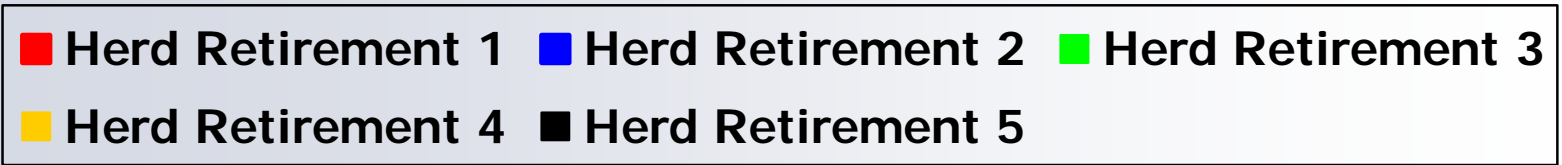
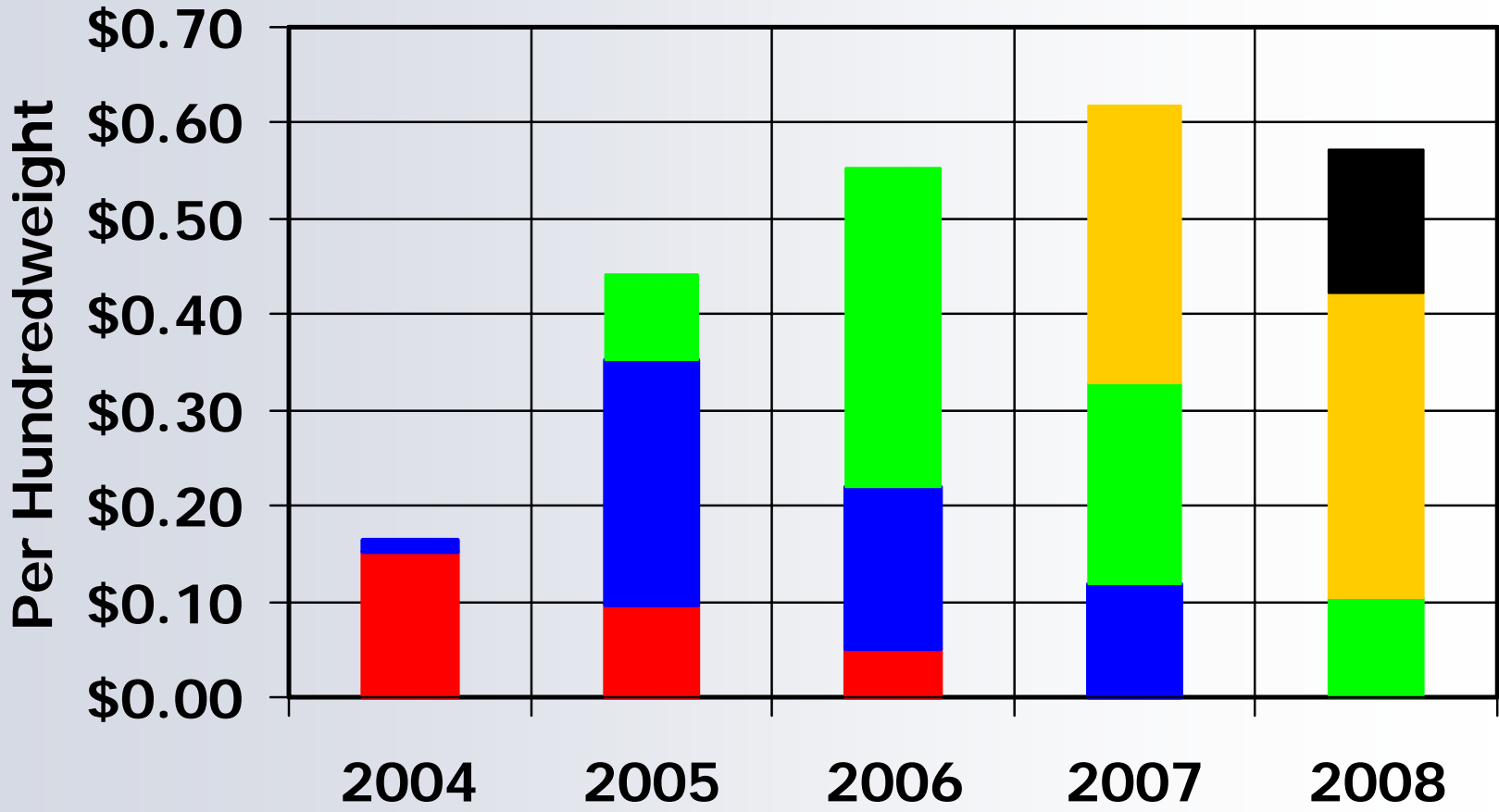
U.S. Dairy Cows



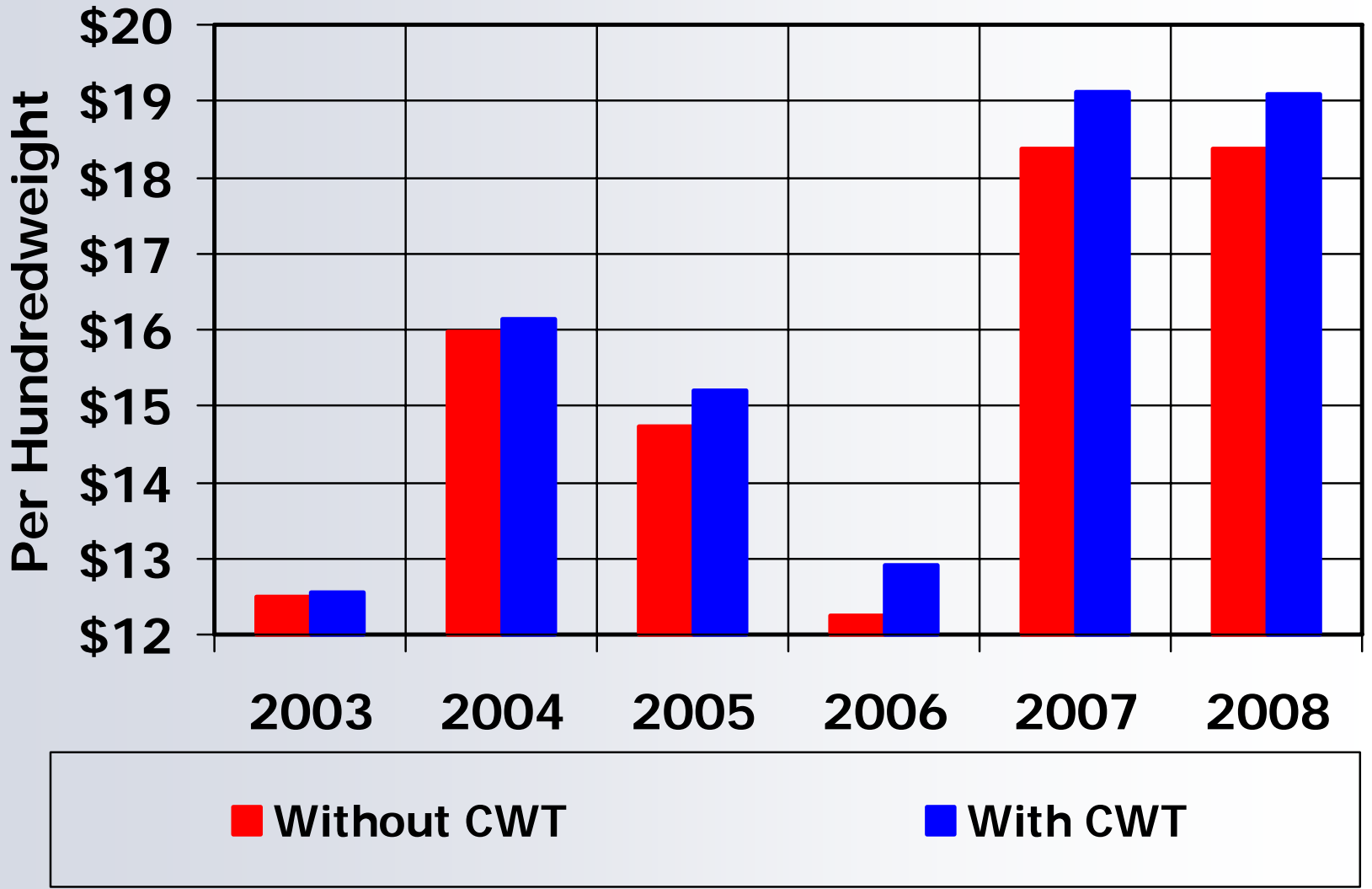
U.S. Milk Production



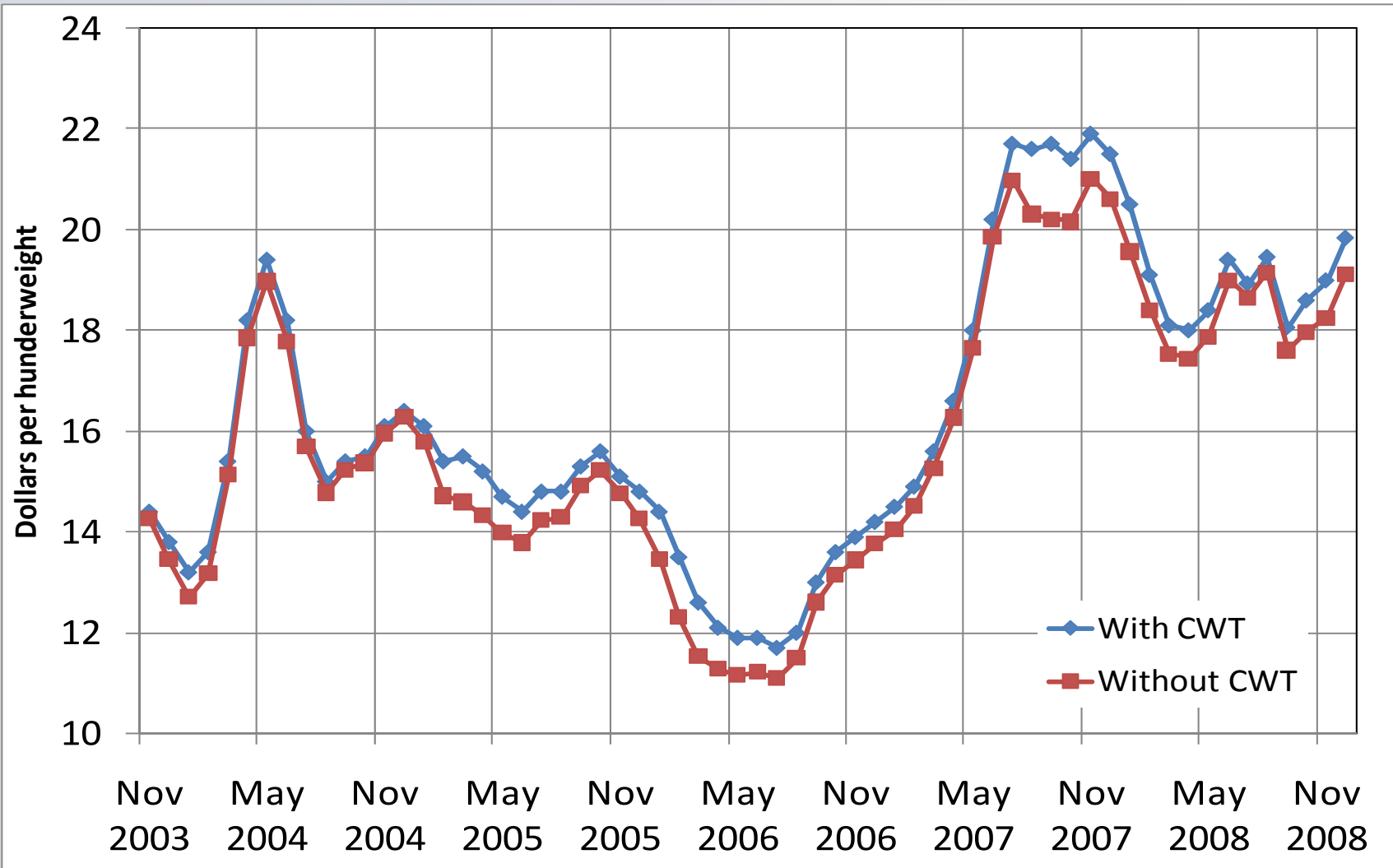
Effects on Milk Prices, by Herd Retirement



U.S. All Milk Price

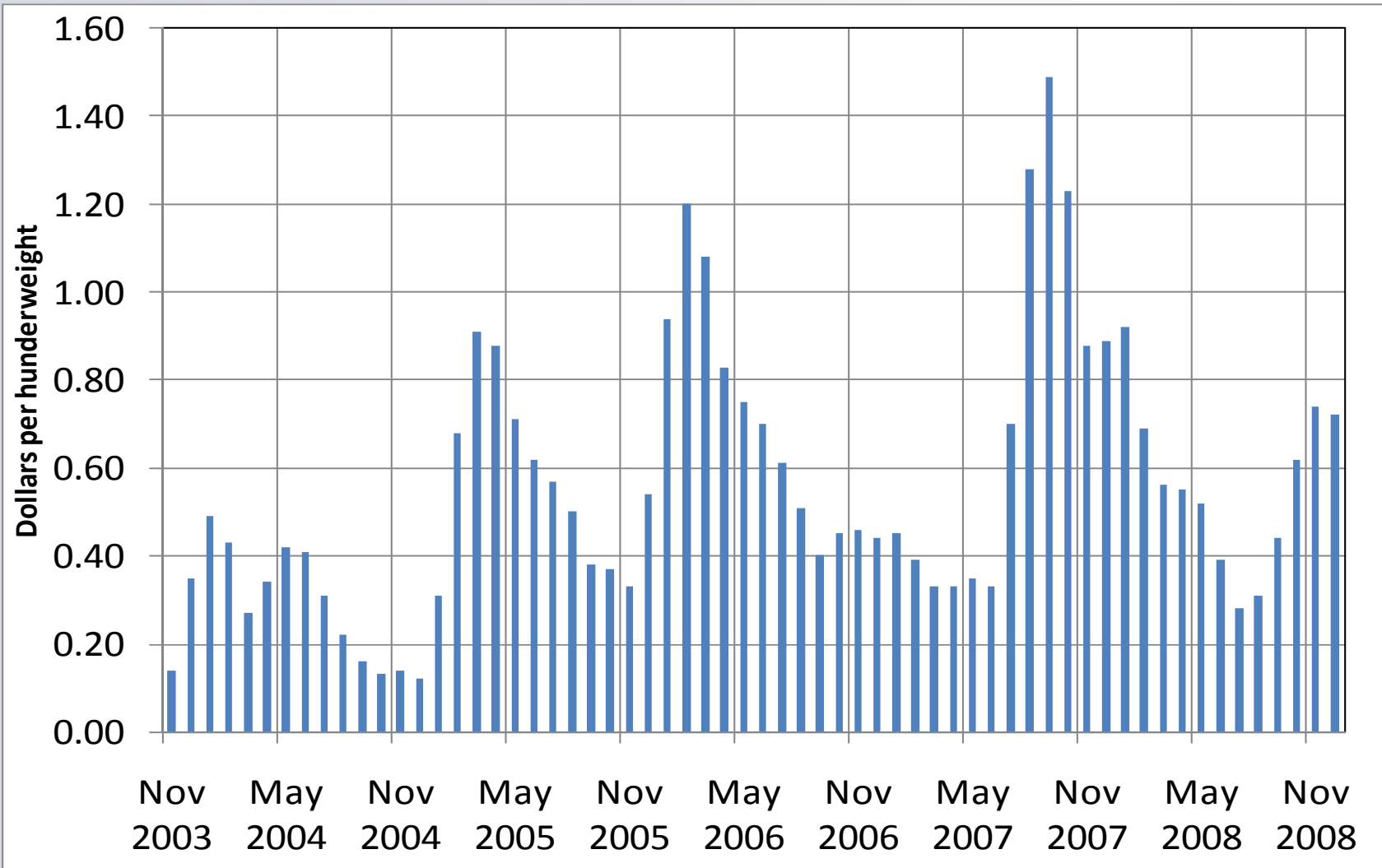


Monthly Effect of CWT Herd Retirements, US All Milk Price



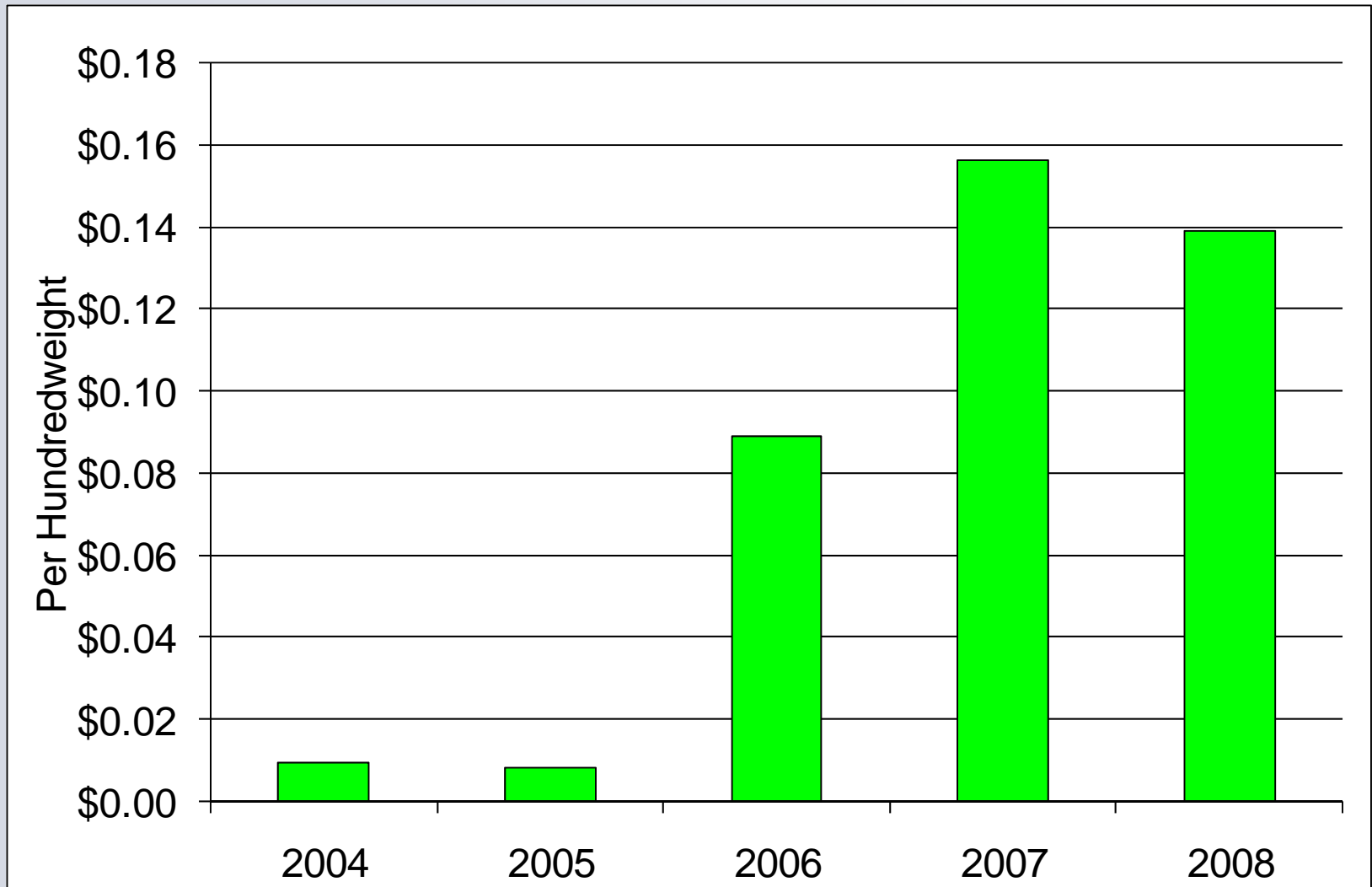
Does not includes effects of CWT export assistance

Monthly Effect of CWT Herd Retirements, Change in US All Milk Price

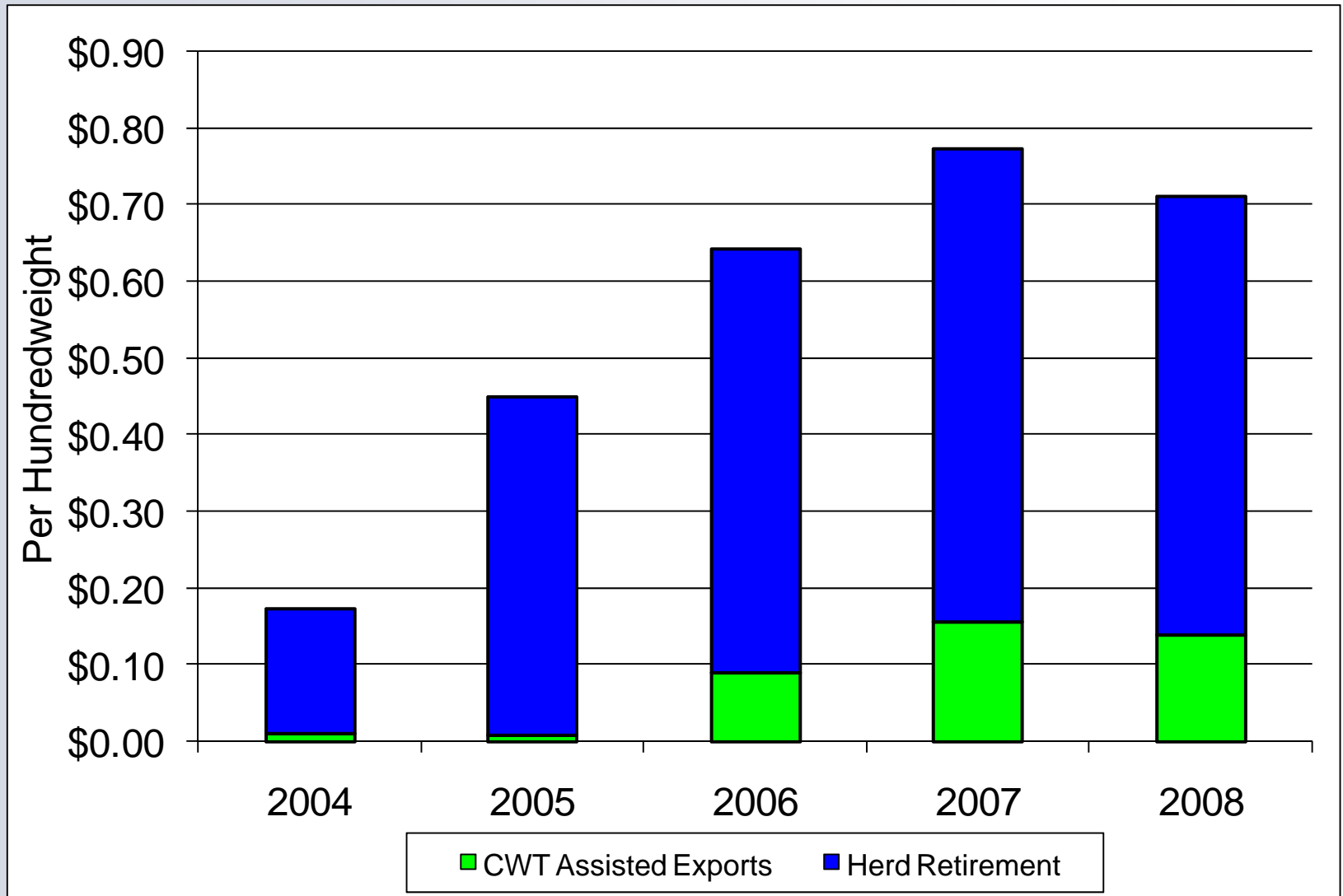


Does not include the effects of CWT export assistance

Effect of Export Assistance on Milk Prices



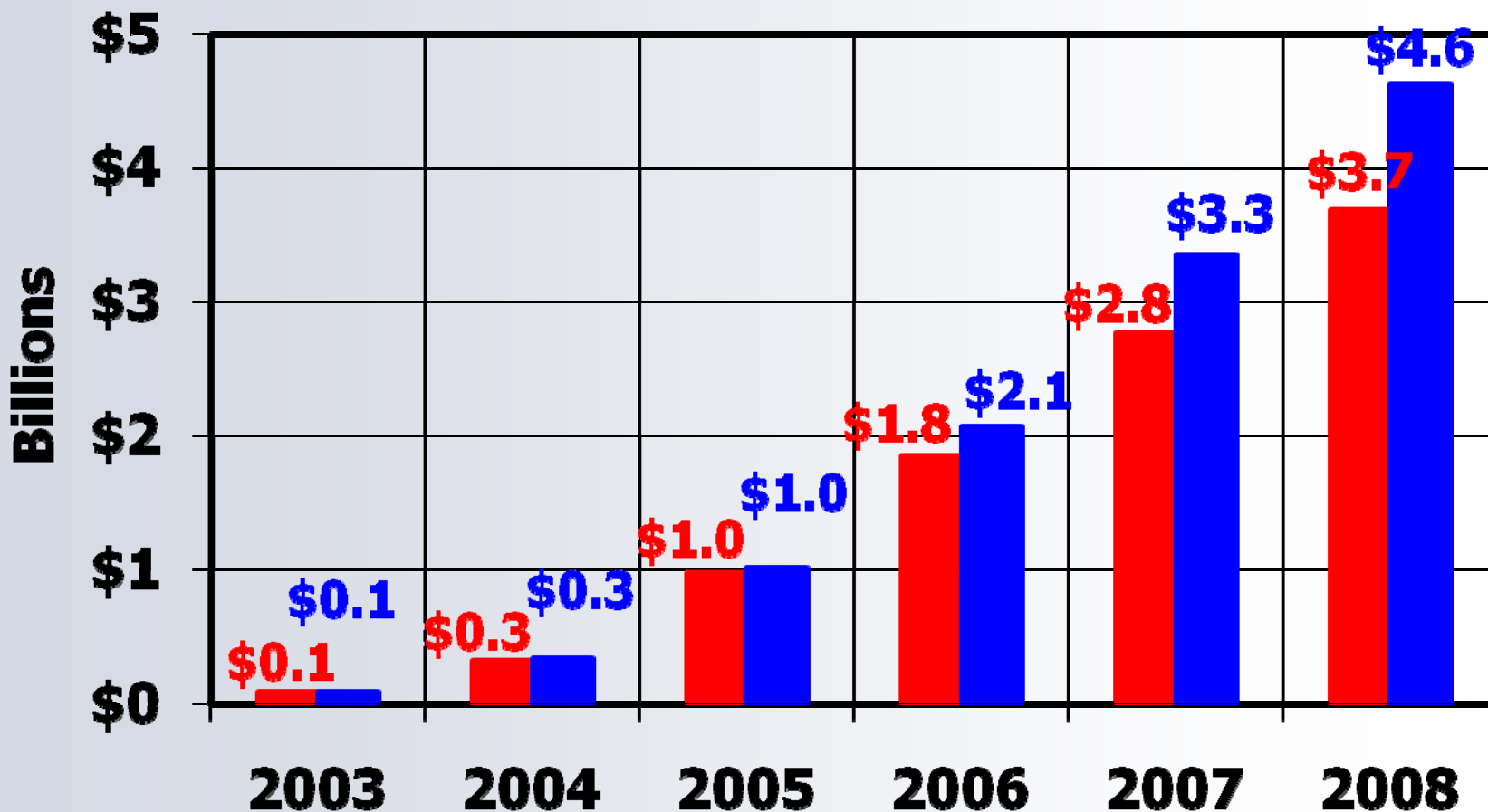
Combined Effect of CWT Programs on Milk Prices



Effect of the CWT Program on the US All Milk Price *

Year	2003	2004	2005	2006	2007	2008 *
US All Milk Price	\$12.55	\$16.13	\$15.19	\$12.90	\$19.13	\$19.08
CWT Herd Retirement Impact	\$0.05	\$0.16	\$0.44	\$0.55	\$0.62	\$0.57
CWT Export Assistance Impact	NA	\$0.01	\$0.01	\$0.09	\$0.16	\$0.14
TOTAL CWT Impact	\$0.05	\$0.17	\$0.45	\$0.64	\$0.77	\$0.71

Cumulative Change in Milk Market Revenue Under the CWT Program



■ With CWT Herd Retirements

■ With CWT Herd Retirements and Export Program

CWT Summary Points

- **2008 Bottom Line:**
 - CWT will increase producers' milk prices by \$0.71 per cwt
 - The herd retirement program added \$0.57 per cwt to milk prices and the export assistance program added \$0.14 per cwt

- **On Average Over the 2004 to 2008 Period:**
 - CWT will increase producers' milk prices by \$0.55 per cwt
 - The herd retirement program added \$0.47 per cwt to milk prices and the export assistance program added \$0.08 per cwt

- The CWT program has generated an additional \$4.6 billion in milk market receipts at a program cost of \$0.3 billion

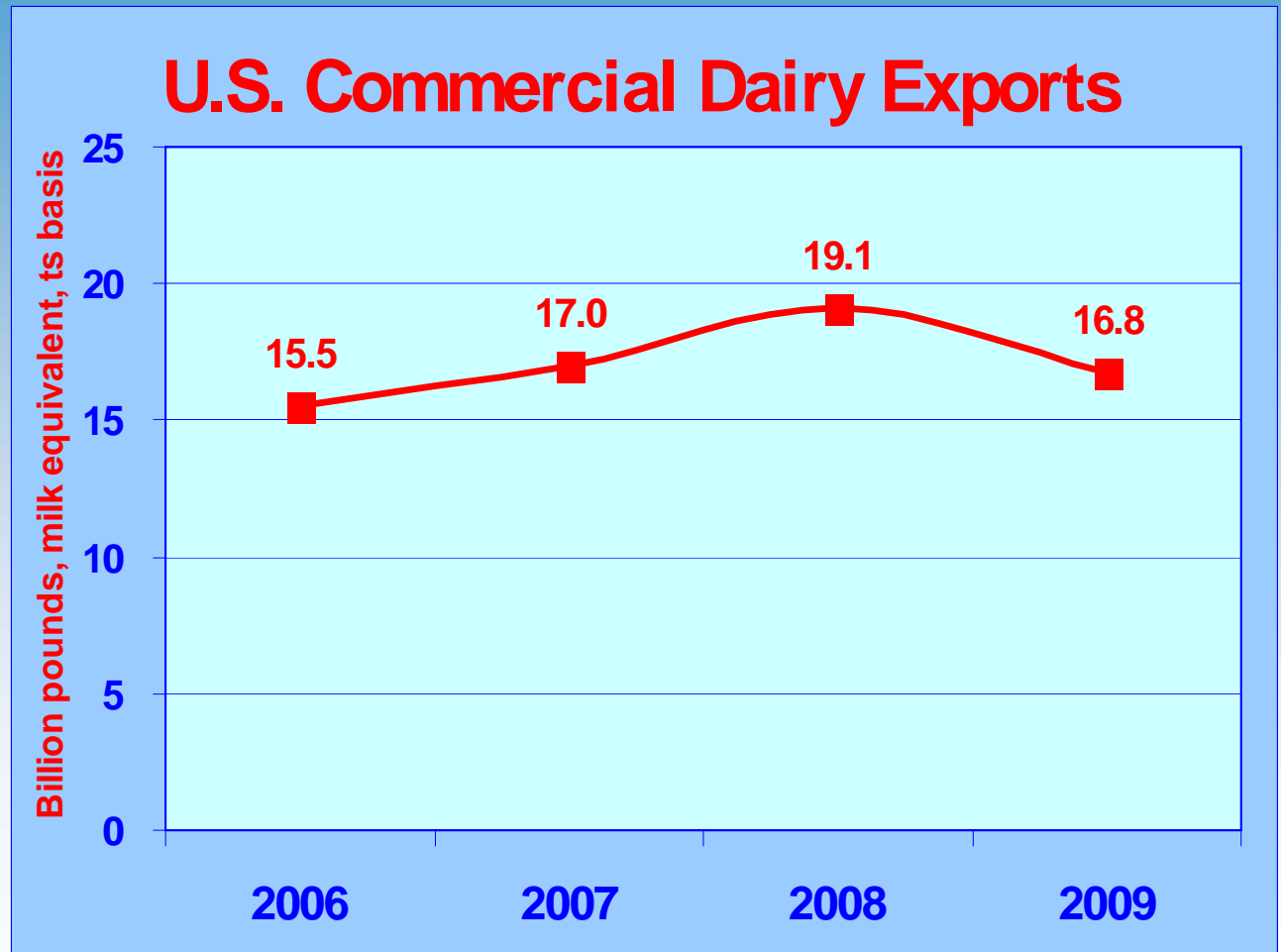
- Continued operation of the CWT program is essential for producers to continue receive benefits from the program

Looking Ahead - 2009



Dairy Situation and Outlook

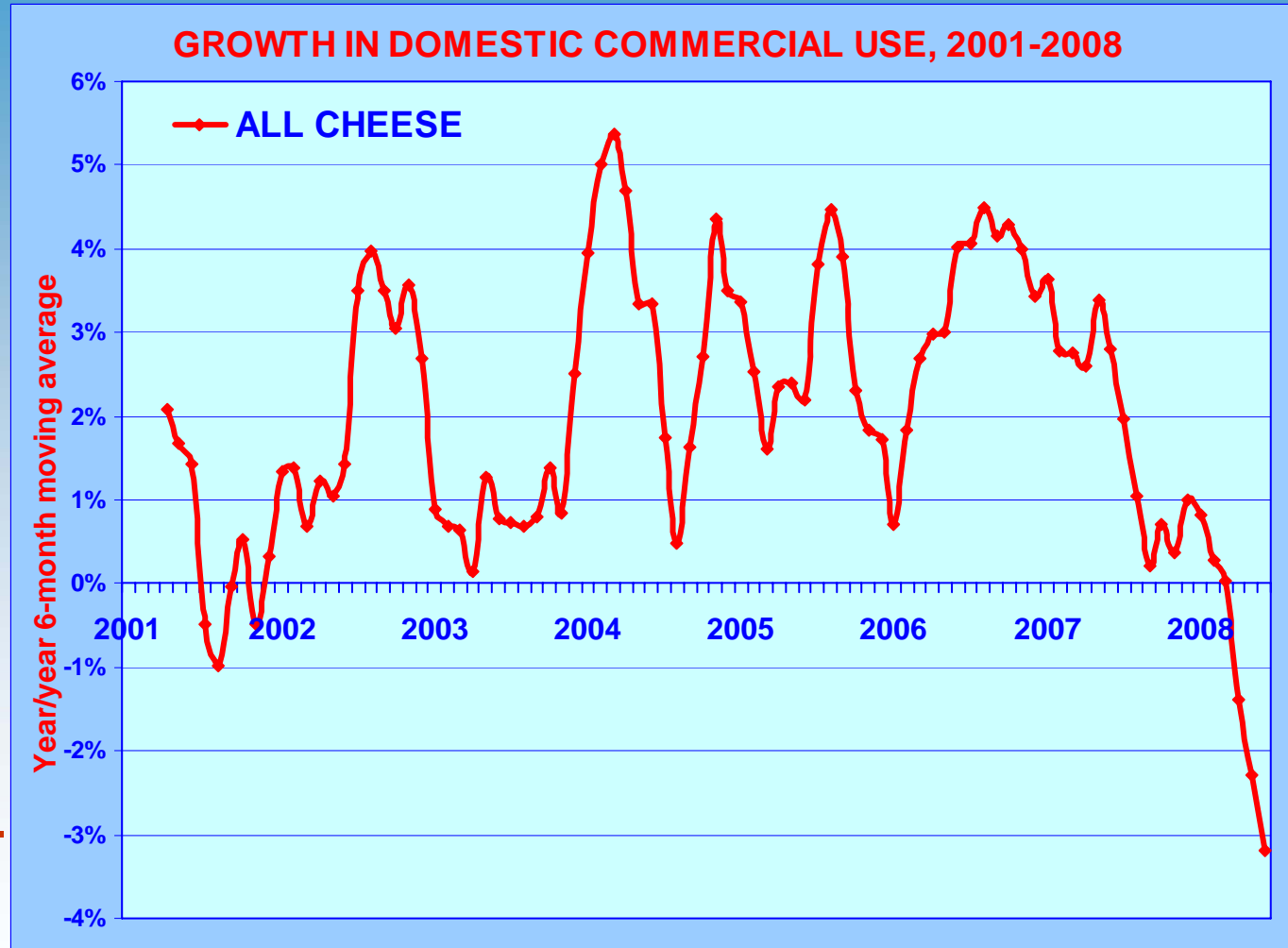
USDA is projecting a drop in U.S. commercial dairy exports in 2009 equivalent to 2.3 billion pounds of milk



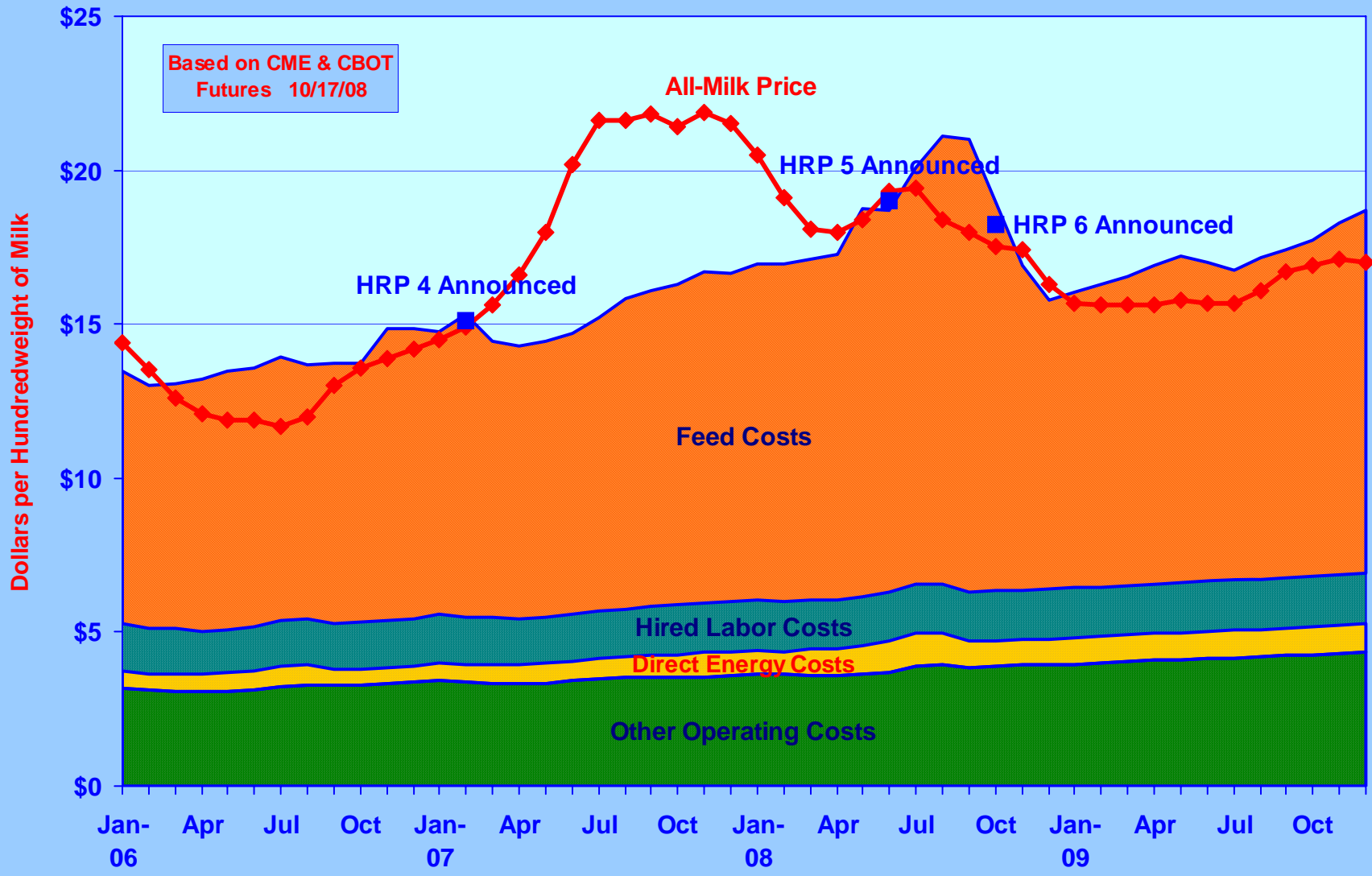
Dairy Situation and Outlook

Domestic cheese consumption is down, following many years of positive growth

Use is down both for American and especially for non-American types



U.S. Milk Prices and Costs of Production, 2006-2009



Questions?

