# Illustration of Dairy Institute's Proposed Quota Program

# EXHIBIT 5 5

### MONTH #1:

\$100 in Pool with 10 dairy farmers each with cwt at \$10/cwt.

4 farmers have no quota; 1 farmer w/100% quota; 1 farmer w/90% quota; 1 farmer w/85% quota; 1 farmer w/75%; 1 farmer w/50% quota; and 1 farmer w/25% quota



4 farmers w/no quota opt out and receive \$40 out of pool at \$10/cwt.



\$60 remaining is quota pool – Assuming \$1.70/cwt Quota Premium:

- 1 farmer w/100% quota gets \$1.70, +
- 1 farmer w/90% quota gets \$1.53, +
- 1 farmer w/85% quota gets \$1.45, +
- 1 farmer w/75% quota gets \$1.28, +
- 1 farmer w/50% quota gets \$.85, +

1 farmer w/25% quota gets \$.43 = \$7.24/cwt

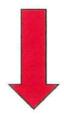
\$60 -\$7.24=\$52.76; \$52.76/6 = \$8.79/cwt

Farmer w/100% gets 8.79+1.70 = \$10.49/cwt; Farmer w/90% gets 8.79+1.53 = \$10.32/cwt;

Farmer w/85% gets 8.79+1.45 = \$10.24/cwt;

Farmer w/75% gets 8.79+1.28 = \$10.07/cwt; Farmer w/50% gets 8.79+.85 = \$9.64/cwt;

Farmer w/25% gets 8.79+.43 = \$9.22/cwt



MONTH #2:



4 farmers w/no quota who already opted out are joined by 2 farmers w/less than 50% quota who opt out and receive \$60 out of pool at \$10/cwt

\$40 remaining is quota pool - Farmer w/100% quota gets \$1.70, + Farmer w/90% quota gets \$1.53, + Farmer w/85% quota gets \$1.45, + Farmer w/75% quota gets \$1.28 = \$5.96

\$40-\$5.96=\$34.04; \$34.04/4=\$8.51

Farmer w/100% get 8.51+1.70 = \$10.21/cwt; Farmer w/90% gets 8.51+1.53 = \$10.04/cwt; Farmer w/85% gets 8.51+1.45 = \$9.96/cwt; Farmer w/75% gets 8.51+1.28 = \$9.79/cwt

# Hypothetical Quota Choices on DI's Proposal

# MONTH #3:



6 farmers who
already opted out are
joined by 2 farmers
w/less than 85%
quota who opt out
and receive \$80 out of
pool



\$20 remaining is quota pool – Farmer w/100% quota gets \$1.70, + Farmer w/90% quota gets \$1.53 = \$3.23/cwt

\$20 - \$3.23 =\$16.77; \$16.77/2 = \$8.39/cwt

Farmer w/100% gets 8.39+1.70 = \$10.09/cwt; Farmer w/90% gets 8.39+1.53 = \$9.92/cwt

### MONTH #4:



8 farmers who already opted out are joined by 1 farmer w/less than 90% quota who opt out and receive \$90 out of pool

\$10 remaining is quota pool

Farmer w/100% quota gets it all...

Since there is no further incentive to choose quota he/she will also opt out!