

Illustration of Dairy Institute's Proposed Quota Program

**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

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

Farmer w/100% gets  $8.39+1.70 = \$10.09/\text{cwt}$ ;

Farmer w/90% gets  $8.39+1.53 = \$9.92/\text{cwt}$

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!