

MILKLINE

NEWSLETTER



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Taking One Wave at a Time.

Navigating the Dairy Industry



Dairy farming is a lot like being the captain of a ship.

You're the one at the helm, steering the ship to your destination, hoping to avoid running a-ground and getting stuck. With the wind in your sails and the sun on your back, it feels like nothing could get in your way to keep you from reaching your goal and pursuing that horizon.

Yet, storms can happen. Our sails can lose their luster. The bottom of the boat can run aground unexpectedly, and we can find ourselves dealing with situations we never thought would happen.

The same can be said for dairying.

Although many of us Midwestern dairy farmers have no desire to have our two feet leave the solid footing that

land offers, the metaphor has a very interesting analogy. As dairy farmers, we are the captain of our ship, the manager of our farm. We make decisions to help us accomplish our goals, adjust our sails and keep our sights on the horizon. We

“It is just as important to remember the rewards of dairy farming, and the reasons why we first started.”

evaluate what needs to be done on a daily basis against the weather and other demands.

Dairy farming too, has its own risks and rewards.

Sometimes, the risks are too easy to mention, whether the list begins with volatile dairy markets and prices, consumer demands, or even just the weather. These are important aspects to keep in mind, but it is just as important to remember the rewards of dairy farming, and the reasons why we first started.

One aspect that is very special to dairy farming is the aspect of family. Most of us grew up on a dairy farm, being able to follow in the footsteps of our parents, and even our grandparents. Farming wasn't just a way of life, but the best way of life. A hard day's work meant a successful day of work, often racing against the rain to get work done in the field.


As dairy farmers, we grew up loving how it felt to be a steward for the land and caregiver for cows. We enjoyed it so much, that we chose to pursue the same career we had the chance to grow up

knowing and living.

Dairy farming also teaches us the important aspects of life, such as cherishing new life that a newborn calf brings, and being able to share that joy

with our own kids on the farm. Raising our herd production average, having a cow earn an 'excellent' score, and earning first place at a dairy show are all small aspects of what we do that mean the most -- and are that much more memorable when we accomplish these goals with family and friends.

'Navigating the Dairy Industry' is a reminder to us all that the journey is not always a smooth-sailing one. It's one that will come with it's own set of waves to come crashing up on shore, and at other times, be calm and quiet. I don't have the solutions as to how best each of us can navigate through this upcoming year of challenges the industry will throw at us, but I believe we can do it together, and do our best to learn from each other along the way.

While 2018 might have it's share of storms to weather, it's important for each of us to remember what we love so much about being a farmer. It has never been easy to be a dairy farmer. My hope for you it has always been worth it. 

Article by John Rettler,
FarmFirst Dairy Cooperative

Dedicated to serving and representing you, our family farm members, FarmFirst Dairy Cooperative represents farms in Wisconsin, Minnesota, South Dakota, Michigan, Iowa, Illinois and Indiana through policy bargaining, dairy marketing services, laboratory testing opportunities and industry promotion.

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Time to Get to Work.
A Word from Your New General Manager



As I write this column, I have not even set foot into the FarmFirst Dairy Cooperative offices as General Manager, but I am truly excited about the opportunity to lead the cooperative with guidance from the board of directors. I have already had the opportunity to meet them, staff members and many of their spouses at a board/staff meeting. As you read this, I will have attended my first annual meeting albeit I had a limited role spending my time introducing myself to members and listening to their concerns and ideas to improve the cooperative.

Your cooperative is in a strong financial position thanks to the efforts of the board of directors and outgoing General Manager David Cooper. My goals for 2018 include; 1) building strong relationships with industry leadership, connecting with dairy plant contacts across our membership base and to meet our members; 2) evaluating our programs and services and building upon our strong team of employees, and 3) seek out new opportunities to bring even greater value to you as a member of FarmFirst Dairy Cooperative.

For some of you I am a familiar name and face - for others you are probably wondering who is the new General Manager?

For the last seven years, I served as the Deputy Secretary at the Wisconsin Department of Agriculture, Trade and Consumer Protection under Secretary Ben Brancel. My primary responsibilities included the implementation of policy and rules affecting DATCP and our many stakeholders, assisting in the management of 600 plus employees and representing DATCP in relations with other agencies, foreign delegations and stakeholders including the Governor's office. I represented DATCP on the World Dairy Expo Board of Directors and its Executive Committee.

Prior to joining DATCP, I worked for 22 years for the Wisconsin Farm Bureau Federation. As director of government relations, I coordinated the national affairs program and also lobbied on state legislative and regulatory issues. I was the lead staff person for the Dairy Advisory Committee where we spent considerable time evaluating federal dairy policy alternatives. As director of member relations, I was responsible, for 12 years, the coordination of the organization, membership procurement, retention and member benefit efforts.

In the mid-1980s during the height of the farm crisis, I worked for former Wisconsin Congressman Steve Gunderson in his Washington D.C. office as a legislative aide working on agriculture, environmental, and energy issues. Following my time in his office, I served as assistant director for the National Commission on Dairy Policy, a group of 18 dairy farmers from around the country tasked with developing recommendations for future dairy policy. My career started as a cub reporter with The Country Today newspaper following my graduation from the University of Wisconsin-River Falls.

As I begin by tenure as your General Manager, I want to thank President John Rettler and the board of directors for their confidence in me to lead FarmFirst Dairy Cooperative. You can expect my level best effort to meet your expectations, but I will need your help as we address the challenges ahead for our members and the greater dairy industry. Time to get to work.

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FarmFirstDairyCooperative.com

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Congressional Leaders Seek Dairy Reforms

FarmFirst appreciates the efforts of Senator Tammy Baldwin (WI) and Representatives Mike Gallagher, Sean Duffy & Jim Sensenbrenner (all WI) who recently contacted their leadership seeking to improve the dairy programs in the upcoming Farm Bill. In the Senate, Senator Baldwin urged leadership to build on the provisions she helped secure in the 2018 Agriculture Appropriations bill which was passed unanimously by the Appropriations committee and is still awaiting Senate approval. As well, she supports longer-term efforts to expand dairy insurance tools, including the Livestock Gross Margin (LGM) tool. On the House side, there is tremendous recognition that the Margin Protection Program did not perform to the expectations needed for dairy farmers and reforms will be sought. Additional risk management tools are being asked for by Representative Gallagher, Duffy and Sensenbrenner by urging the U.S. Department of Agriculture to classify milk as a commodity under the federal crop insurance program which will provide a greater dollar base of support to the programs.



The Senate Agriculture Committee is predicting that the Farm Bill process will get underway sometime this spring, while the House Agriculture Committee is targeting the month of March. The current Farm Bill expires in September.

The next six months will be critical if a Farm Bill is to be completed on time because as November elections near, debate will be virtually impossible. Relief sought in the disaster relief bill for cotton (eligible for commodity price support program under Title 1 and eligible for Price Loss Coverage) and dairy (removal of \$20 million cap on LGM) would help put the dollars in the baseline funding for the Farm Bill, making an already tight budget easier to work with during debate. 🇺🇸

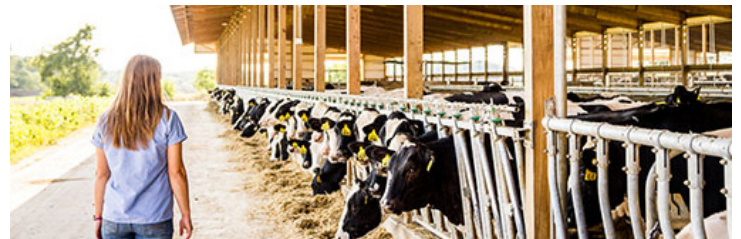
CERCLA/EPCRA Reporting Requirements - EPA Asks for Another Delay

In early February, the U.S. Court of Appeals for the Washington, D.C. Circuit Court granted the U.S. Environmental Protection Agency's (EPA) request to delay air emissions



reporting rules at least until May 1 for CERCLA/EPCRA reporting requirements for farms. On January 19, 2018, EPA filed a motion with the D.C. Circuit Court of Appeals to request a further delay of three months to revise the guidance to be more effective in assisting farms with coming into compliance. This additional time is also needed to conduct outreach to ensure farms with limited or no internet access are aware of the reporting requirements and to finish developing the streamlined continuous reporting form.

Still problematic is the fact that there is no accepted scientific methodology to estimate air emissions from livestock operations. Industry groups continue to work on a legislative solution, arguing that Congress likely never intended livestock operations to be regulated for emissions of ammonia or hydrogen sulfide under either CERCLA or EPCRA. FarmFirst will continue to work with our industry partners to find these solutions for an exemption for dairy farm reporting which would add an unnecessary burden on our members if implemented. No reporting is required until the Court issues its order, or mandate, enforcing its decision. 🇺🇸



Tax Reform - Section 199A Has Uncertainty

The new Section 199A cooperative deduction in the recent tax reform bill may have hit a snag. This provision provides a 20 percent deduction on a farm's gross sales to a cooperative. The new cooperative deduction is at least five times greater than the non-cooperative sale. When it was created, legislators did not realize how the deduction would indirectly affect others, and now the work to fix the issue is front and center. This new legislation replaced the Section 199 Domestic Productions Activities Deduction (DPAD) which provided cooperatives with the opportunities to pass along production costs (employee compensation) to its member owners when sales were made to the cooperative.

The previous legislation provided a great benefit to farmers and rural communities, so obtaining something during the waning hours of the tax reform legislation vote was critical. We need to ensure that any changes to Section 199A remain positive for farmers. FarmFirst along with its industry partners will work closely to support those legislative opportunities. Section 199A creates a strong competitive tool which benefits agriculture and provides for a stronger rural economy when farmers spend their dollars locally. Perhaps changing the deduction to allow the entire farm sector and all farmers the opportunity to participate without causing additional loss of tax revenue is a good place to start. 🇺🇸

The Merry-Go-Round of NAFTA

No one said trade discussions would be easy, especially when everyone looks to protect their own interests while trying to find common ground which benefits all parties.

NAFTA is critically important to agriculture in the United States. This has been made abundantly clear to the President and his administration even though a week doesn't go by were statements surface about the possibility of pulling out of the 24-year-old agreement.

The sixth scheduled meeting (sessions 4 & 5 were cancelled) held in Montreal, Canada in late January provided a glimmer of progress as U.S. Trade Representative Robert Lighthizer indicated "some progress was made". "We finally began to discuss some of the core issues, so this round was a step forward. But we are progressing very slowly. We owe it to our citizens who are operating in a state of uncertainty to move much faster," he noted.

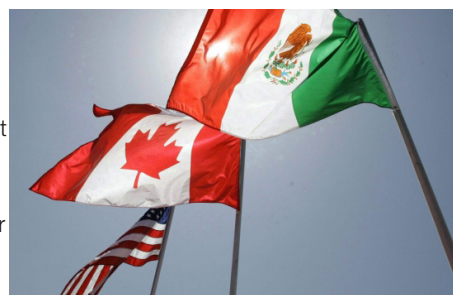
This was the first discussion since October that the three countries came together. With elections held in Mexico later this summer and the United States in the fall, these discussions were hoped to be wrapped up last December, now it appears they will drag on for some time.

The five most contentious U.S. proposals presented to Canada and Mexico (known as the poison pills that have angered the trading partners) relate to cars, a sunset clause

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for the agreement renewal, dispute panels, U.S. contract procurement and Agriculture.

On the agriculture side it revolves around restricting imports of certain crops during the U.S. growing season and undoing Canada's supply management system, which is a series of production quotas and tariffs for dairy, poultry and eggs. 🇺🇸



Scholarship Opportunities: FarmFirst Scholarship Deadline March 30th



Scholarship applications are currently available for the FarmFirst Dairy Cooperative 2018 scholarship program! Interested applicants must submit their application by March 30th. Applications are available online at www.FarmFirstDairyCooperative.com or by calling 608-286-1909.

Take advantage of the online submission form! Applicants can go directly online to learn about the application requirements, prepare their application information and essay responses, and then submit directly on FarmFirst's webpage.

The Insurance Advisory Council Scholarship Also Available

The Insurance Advisory Council of The Insurance Center is also making their agribusiness scholarship available once again. To be eligible, students must currently be attending a post-secondary college, university or technical school program; high school seniors are not eligible to apply. Applicants must also be continuing their education in an agriculture related field. Applications are available online at FarmFirst's scholarship page (www.farmfirstdairycooperative.com/scholarships) or by emailing info@farmfirstcoop.com. Applications must be completed and returned to the Insurance Advisory Council no later than **March 31**.



Wisconsin Dairy Products Association Scholarship

The Wisconsin Dairy Products Assn. (WDPA) is proud to once again offer the Robert L. Bradley Scholarship, and the Wisconsin Dairy Products Association Scholarship, each worth \$2,000 each. To be eligible, students must be attending a University of Wisconsin school, and be pursuing a degree in Food Science, Dairy Science or a dairy industry related program. Eligible students can either be a graduating high school senior or currently attending a post-secondary school program; grad students are not eligible to apply. Applications are due by **March 30**. 🇺🇸



USDA's Farm Bill and Legislative Principles for 2018

U.S. Secretary of Agriculture Sonny Perdue recently shared his Farm Bill and Legislative Principles which have been developed during his time in office while visiting with people of American agriculture in 30 states. "These principles will be used as a road map - they are our way of letting Congress know what we've heard from the hard-working men and women of American agriculture. While we understand it's the legislature's job to write the Farm Bill, USDA will be right there providing whatever counsel Congress may request or require," noted Secretary Perdue. Here is a small sampling of key dairy related principles:

- Provide a farm safety net that helps American farmers weather times of economic stress without distorting markets or increasing shallow loss payments.
- Promote a variety of innovative crop insurance products and changes, enabling farmers to make sound production decisions and to manage operational risk.
- Improve U.S. market competitiveness by expanding investments, strengthening accountability of export promotion programs, and incentivizing stronger financial partnerships.
- Ensure the Farm Bill is consistent with U.S. international trade laws and obligations.
- Open foreign markets by increasing USDA expertise in scientific and technical areas to more effectively monitor foreign practices that impede U.S. agricultural exports and engage with foreign partners to address them.
- Assure the scientific integrity of the Dietary Guidelines for Americans process through greater transparency and reliance on the most robust body of scientific evidence.
- Support nutrition policies and programs that are science based and data driven with clear and measurable outcomes for policies and programs.
- Enhance our partnerships and the scientific tools necessary to prevent, mitigate, and where appropriate, eradicate harmful plant and animal pests and diseases impacting agriculture.
- Safeguard our domestic food supply and protect animal health through modernization of the tools necessary to bolster biosecurity, prevention, surveillance, emergency response, and border security.
- Expand and enhance the effectiveness of tools available to further connect rural American communities, homes, farms, businesses, first responders, educational facilities, and healthcare facilities to reliable and affordable high-speed internet services. 🇺🇸

MPP Tracker				
Month	All-Milk Price	MPP Feed Cost	MPP Margin	Two-Month Average
July 2017	\$17.30	\$8.2228	\$9.0771	\$9.6712
Aug 2017	\$18.00	\$7.7346	\$10.2653	
Sept 2017	\$17.80	\$7.8109	\$9.9890	\$9.9962
Oct 2017	\$17.90	\$7.8967	\$10.0033	
Nov 2017	\$18.10	\$7.7112	\$10.3887	\$9.8748
Dec 2017	\$17.20	\$7.8390	\$9.3609	

Numbers referenced are USDA's Farm Service Agency national average prices and calculations used to determine indemnity payments under the Margin Protection Program for Dairy.

New Study Shows the Costs of a NAFTA Withdrawal

If the threat of ending NAFTA hasn't hit your concern button yet, perhaps the risk of these market changes noted in a study completed by a non-profit group will provide the danger that lurks around the corner if NAFTA withdrawal took place.



Without NAFTA, cheese would face a tariff up to 45%. Using 2016 cheese exports to Mexico totaling \$170 million, the tariffs would add up to \$76.5 million in additional duties without NAFTA. Similarly, without NAFTA, beef would be subject to a 25% tariff. In 2016, the U.S. shipped \$867 million of beef to Mexico. With a tariff in place, that would be \$217 million in additional duties. A NAFTA withdrawal certainly impacts farmers, but the impact would be felt by rural communities as well, which run on the engine of the farm economy. For trade to Mexico, these states in our membership area would see the greatest impact (noted as a percentage of all agricultural exports from their state): South Dakota - 39%, Iowa - 35% and Minnesota - 24%.

Value in getting NAFTA settled fast - with continued growth in milk production worldwide and increased competition for export sales, addressing Canada's Class 7 program and the resultant increase in dairy protein exports is key and maintaining Mexico as a significant trading partner is vital.

"U.S. dry whey inventories are now up more than double of what they were a year ago, with whey prices now at 30¢ per pound, down from 50¢ in May. That's coincidentally when Canada started its Class 7 program. This drop of 40% in whey prices has lowered the U.S. Class III price by \$1 per cwt", noted Bob Cropp, a dairy economist with the University of Wisconsin.

Mexico, for example, is now sourcing more of its milk powder ingredients from the European Union (EU) and Canada. With the EU sitting on mountains of powder in inventory from their intervention a year plus ago, it has aggressively priced sales to Mexico. Canada is also up 10-fold in its dairy ingredient sales to Mexico with the creation of its Class 7 program, which subsidizes exports. The result is Mexico is now taking just 70% of its milk powder from the U.S., down from 90% earlier. 🇺🇸

DECEMBER 2017

Order Name and Number	UPPER MIDWEST	CENTRAL	MIDEAST
	Order 30	Order 32	Order 33
Producer Milk (lbs.)	2,582,382,826	1,217,026,845	1,660,875,925
Producer Price Differential @ base zone	\$ 0.13	\$ 0.12	\$ 0.36
Statistical Uniform Price/cwt @ 3.5% BF*	\$ 15.57	\$ 15.56	\$ 15.80
Class I Price/cwt	\$ 18.68	\$ 18.88	\$ 18.88
Class II Price/cwt	\$ 14.49	\$ 14.49	\$ 14.49
Class III Price/cwt	\$ 15.44	\$ 15.44	\$ 15.44
Class IV Price/cwt	\$ 13.51	\$ 13.51	\$ 13.51
Component Prices & Test Avg. % aves			
Butterfat/lb.	\$ 2.4951	4.01%	3.96%
Protein/lb.	\$ 2.0378	3.21%	3.26%
Other Solids/lb.	\$ 0.10700	5.74%	5.75%
SCC Adjust Rate/1000	\$ 0.00082		
Producer Milk Classified %			
Class I	10.60%	33.78%	32.60%
Class II	6.40%	11.32%	15.80%
Class III	76.90%	30.80%	32.60%
Class IV	6.10%	24.10%	19.00%
	100.00%	100.00%	100.00%



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Welcome New Members

We would like to welcome these individuals and farms that have joined FarmFirst Dairy Cooperative recently.

We look forward to your participation and involvement in the programs and services of your cooperative where we put members first.

Darrell Luhmann

Benjamin & Malinda Martin

David & Esther Martin

Nathan & Lovella Fox

Loren & Ruth Hoover

Michael Pink

Paul Lash

Tyler & Jody Van Handel

**Visit us at an
Upcoming
Tradeshaw!**

Marshfield Farm Show, Marshfield, WI - February 21-22

Eau Claire Farm Show, Eau Claire, WI - March 6-7

PDPW Annual Business Conference, Madison, WI - March 14-15

Wisconsin Public Service Farm Show, Oshkosh, WI - March 27-29

Central Plains Dairy Expo, Sioux Falls, SD - March 27-29