

2020 Annual Report

A Message from the President

What I'm Thankful for in 2020

Like many of you, over the past several weeks I have been spending many hours in a tractor seat. These weeks are long, but if you recall, last year was much more challenging and tedious in getting crops out of the field and wrapped up for winter. We were still combining in December! I am happy to report that things are going much better than last year, and I hope the same is true for you.

Thinking back to last year made me grateful for the simple fact that we are not having the same experience with harvest again this year. Certainly, there's plenty of other things currently going on that are still very stressful and challenging, but being on the tractor has given me the time to reflect and it reminded me to think positively and to be grateful for all the things I have.

Considering everything that we've witness in 2020 so far, these are a few things I am grateful for:

I'm grateful that Congressional leaders stepped up to support farmers by passing legislation like the Coronavirus Food Assistance Program and the Farmers to Families Food Box Program, ultimately made a difference for dairy farmer's bottom line and helped move

more dairy products across the U.S. Extending the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) to include farms as small business also helped tremendously these past few months.

I'm grateful for FarmFirst Dairy Cooperative, for representing the interests of dairy farmers across the Midwest, especially when it mattered most this past spring. FarmFirst was advocating for dairy farmers best interests before the sheltering-in-place orders took effect this spring and didn't stop simply because travel was limited.

I'm grateful for my milk hauler, milk marketer, all our dairy processors and everyone in between. Being an essential business isn't easy when the rest of the world shuts down, and they're doing what they can to continue to make, package and deliver dairy products to those that need them most. Knowing all the work that is done to produce the milk we have today, I am especially grateful for every milk director that was able to find a home for milk without being dumped.

I'm grateful for all those that rushed to the grocery store in March and April to buy milk, ice cream, yogurt and cheese. The empty shelves reminded me once again that I am a farmer that helps produce some of the most wholesome,

delicious food there is, and proud of it. I believe that their purchases reflected that they truly value real milk, and I am optimistic that their buying habits are not temporary.

I'm grateful for my rural upbringing and living. Not only has it led me to where I am today but also to be who I am. Additionally, I would contend that living on the farm has given me a strong immune system as well, though I should be wiser than to test my luck during a pandemic.

I'm grateful for my family. This is an obvious one, but it needs to be mentioned. It takes a team to accomplish everything that needs to be done on our farm, and I am grateful my family is part of my team.

Thanksgiving is coming up in a few short weeks, and while we have plenty to be concerned about, let's also take the time to remember what we have to be grateful for. 🙏




John Rettler
President

A Word from the General Manager

2020 has been a wild ride. At the February 2020 Annual Meeting there was optimistic talk about improving milk prices for the coming year and then a couple weeks later we learned about something called coronavirus.

Little did we know that coronavirus would have you, your cooperative and the entire dairy industry turned upside down when “shelter-in place” orders were enforced around the country.

We all know the story. In mid-March, customer orders all but dried up for many processors and they didn’t want or need the amount of milk they usually purchased. We all knew there would be adverse effects, but no one could predict how bad or how long it would last. Our Family Dairies division came close to dumping milk, but we were fortunate to find a buyer. Other cooperatives and proprietary plants weren’t so fortunate.

Knowing we were in a crisis situation, FarmFirst and our partners in Washington D.C., the National Milk Producers Federation and the Midwest Dairy Coalition, went to work to get financial assistance for the dairy industry. We were extremely successful in getting Congress and the Administration to pass and sign into law several measures that have benefited the dairy industry.

Clearly, we are not done with COVID-19, and while milk prices have rebounded consumers are still apprehensive about going to restaurants. Why is

that important? Nearly 40 percent of dairy products nationwide are consumed outside the home. Until a vaccine is available, or the public is otherwise convinced that COVID-19 is under control, what we have now is the new normal. FarmFirst will continue to press for assistance.

While there has been much anxiety, there have been a few good things happening because of the pandemic.

While we had some early hiccups in our supply chain, our processors did a fantastic job of changing product packaging for retail in grocery stores when restaurants and food service businesses shuttered their doors. Consumers found out we have a world-class food production, processing and transportation system in America.

We’ve had more cooking at home, where busy households learned to slow down and cook as a family or simply learned to cook! Consumers turned to comfort food, and that meant real milk, cheese, and ice cream. Dairy product purchases in the retail space increased 30% on average when safer-at-home orders were enacted.

Dairy has had a tremendous presence in the Farmers to Families Food Box program. Since this spring, The Farmers to Families Food Box program has delivered approximately \$1 billion worth of dairy products to needy Americans. Hopefully, those Food Box program recipients will remain active consumers and purchasers of dairy products when we get past the pandemic.

The extreme volatility in milk prices prompted many dairy farmers to begin taking a more in-depth look at their risk management strategy. All dairy farmers should sign up for the Dairy Margin Coverage Program and consider other risk management tools like the Livestock Gross Margin, Dairy Revenue Protection and forward contracting to minimize volatility.

While addressing all the issues surrounding the pandemic, our Member Services Division staff continued their outstanding service of conducting third party milk test verifications and performing hundreds of tank calibrations to make sure both members and your processing

plants are treated equitably. Our FARM program evaluator worked with partnering plants and patrons to make sure they are incorporating and documenting their animal care practices ensuring a market for their milk. Our Family Dairies division field representatives did a great job of working with patrons on milk quality issues and our intake/reload facility staff made sure milk arrived at customers on time. Known for their reliable service, the staff at our Fox Valley Quality Control Lab continued to provide our customers with fast and highly reliable accurate milk test results.

Through all the chaos, your cooperative is in a strong financial position thanks to a fiscally responsible, common sense, determined board of directors and staff. They understand the challenges faced by you and they carry it through every day. The board of directors is focused on the future and how to continue improving our services for members, which includes reviewing and updating the cooperative’s strategic plan.

From FarmFirst’s well thought-out positions discussed by delegates and members to working with legislators on understanding how policies impact dairy farmers, FarmFirst works diligently to ensure policies, federal programs and legislation continues to work for and best serve our dairy farmer members. Additionally, our high-quality work that takes place every day with our partner plants and their staff is something that we value tremendously. We’ll continue to work alongside and maintain that trust.

Thank you for your continued confidence and membership with FarmFirst! 🇺🇸

Regards,



Jeff Lyon
General Manager



Key Priorities in 2020 for FarmFirst



Priority: Addressing Supply Chain Issues Caused by COVID-19 Pandemic, Ensuring Dairy Farmers Receive Support

When the coronavirus hit the U.S. in mid-March, no one could fully anticipate the impact it would have. Almost immediately, schools and businesses shuttered their doors as safer-at-home orders were put in place. Retail demand skyrocketed as panic-buying ensued at grocery stores. Food supply chains had to pivot their distribution channels to focus solely on retail spaces. Dairy markets reflected this level of uncertainty and a roller coaster of milk markets followed.

FarmFirst had the foresight to anticipate that there would be challenges looming for the dairy industry and set to work with national leaders to begin planning for the best means of support for dairy farmers. This support took many forms, including:

- The **Paycheck Protection Program (PPP)**, available through the Small Business Administration (SBA), provided forgivable loans to small businesses like farms to cover up to two months of payroll costs and/or self-employment income during the COVID-19 crisis.
- The **Economic Injury Disaster Loan (EIDL)**, also available through SBA, provided financial relief to applicants to help pay for aspects of the business not accounted for in the PPP. The emergency advancement that was typically forgiven through the EIDL was also much appreciated within the ag community.
- The **Coronavirus Food Assistance Program (CFAP) and its second round of payments (CFAP 2.0)** were programs administered to provide direct aid to dairy farmers due to losses experienced by COVID-19. Managed through the USDA through FSA offices, farmers are eligible for payments reflecting the losses experienced by market disruptions.
- The **Farmers to Families Food Box Program** supported dairy product purchases. While this program was not a direct form of support for dairy farmer's pocketbooks, the program accounted for \$1 billion in purchased dairy products, which in turn fueled demand for the milk dairy farmers were producing. In total, the USDA has set aside \$4 billion in funding for the entire program. Since May, USDA has delivered approximately 110 million food boxes, with dairy making up at least one-quarter of all products included in the boxes.

While the future remains unknown, FarmFirst is continuing to monitor market conditions through the COVID-19 pandemic to ensure that national leaders respond to the needs of U.S. dairy farmers. 🇺🇸



Priority: Urging the FDA Enforce Its Existing Definition for Dairy

While the year 2020 lingers on, so does an issue for the FDA: the enforcement of their existing definition for dairy. In February, a letter was spearheaded by House and Senate leaders across the aisle to encourage FDA Commissioner Stephen Hahn to act and finally begin enforcing standards of identify defining what may be labeled a dairy product. The letter garnered 58 bipartisan co-signers.

Many of the letter-signers are also co-sponsoring the DAIRY PRIDE Act, which would designate foods that make an inaccurate claim about milk contents as "misbranded" and require FDA to issue guidance for nationwide enforcement of mislabeled imitation dairy products within 90 days of its enactment.

Unfortunately, the pandemic has caused several issues to take a back seat though the industry has long been ready to see the FDA finally act. FarmFirst is not letting this issue sit idle for long, as the strong bipartisan support shows there is momentum behind this effort. 🇺🇸



Priority: Keeping Steadfast Attention on the U.S.-Mexico-Canada Trade Agreement

The U.S.-Mexico-Canada Trade Agreement (USMCA) officially went into force on July 1, and ever since then, FarmFirst has been encouraging steadfast attention to detail to ensure that all aspects of the agreement are fulfilled. The USMCA was a hard-fought trade agreement, and it must be enforced to the same extent it was written and agreed upon by all parties.

The USMCA reflects significant changes from its predecessor agreement, addressing in particular the challenging Canadian Class 6 & 7 pricing programs. This new agreement also reaffirms the quality trade relationship U.S. has with Mexico while establishing important protections for common cheese names. 🇺🇸



Priority: Protecting Common Cheese Names

America's dairy farmers produce high-quality products that are renowned around the world. These exports drive economic growth and support jobs in rural communities across the United States. The European Union's efforts to monopolize many common food names, such as "parmesan," "asiago" and "feta," continue to limit export market access for U.S. dairy farmers and their cooperatives. FarmFirst has been and will continue to urge U.S. Trade Representatives and the USDA to make protecting common cheese terms a core policy objective in all current and future trade discussions. 🇺🇸



Introducing ARM Services, LLC...

Focusing on Risk Management for the Future

FarmFirst Dairy Cooperative would like to introduce ARM Services LLC as a new partner to the cooperative and its members. While risk management has always been an important strategy for every farm, this past year has made it inevitable. We strongly encourage members to learn more about risk management offered through ARM Services, LLC. Establishing this partnership will provide valuable resources to members through all communication channels in addition to connecting with experts in dairy risk management.

ARM Services LLC is committed to providing Dairy, Crop and Farm insurance to the agriculture community with a focus on providing best in class insurance solutions. We have separated ourselves from the rest of the industry with our research and analysis which helps our clients develop a competitive edge in the industry.

The seeds of ARM Services were started at Ag Risk Managers LLC a small family owned crop insurance business. The business now includes 12 full-time employees serving farms around the country. Our commitment to exceptional service and personal interaction, along with the loyalty of our clients, has helped ARM Services grow and diversify.

From our original roots as a crop insurance provider, we have expanded to include value-added agricultural services, automated production and acreage reporting capabilities, farm bill and FSA program analysis, as well as additional insurance products.

To reflect this expansion of our business capabilities, ARM Services LLC was formed in 2017. The commitment to our clients and the agricultural industry, has and will, remain the

same. We regularly provide information and updates on ag industry legislation, markets, and developments, and we hold a daylong conference, with world class speakers, each year detailing what we see as some of the most pressing topics in the industry. We believe an informed consumer is a better protected consumer, and we strive to provide the best information and education possible.

Also, in 2017 ARM P&C LLC was formed, after multiple requests from our crop and dairy clients. ARM P&C was formed to provide high quality analysis and coverage of farm, property, and ag related commercial insurance policies.

Dairy Insurance products hold a special place in the history of our agency. We sold, what is believed to be, one of the first, if not the first LGM dairy policy in 2008. We have since grown to insure producers using LGM and DRP in multiple states across the country. In 2010 we started our never-ending study of the dairy markets and the programs provided by the Risk



*Travis Glaser, Agent
Cell: 715-456-5607*

Management Agency (RMA). We believe it is important for producers to understand what they are buying and how it works. ARM Services has a well-developed study and marketing plan that has proven to put our dairy producers above the rest. If you would like to meet with us, we will listen to your needs, and answer your questions. We look forward to starting a relationship with you.

Learn more by visiting www.FarmFirstDairyCooperative.com and selecting ARM Services under Member Benefits.

SEPTEMBER 2020

		UPPER MIDWEST	CENTRAL	MIDEAST
Order Name and Number		Order 30	Order 32	Order 33
Producer Milk (lbs.)		1,063,550,913	870,050,545	1,445,955,696
Producer Price Differential @ base zone		\$ -0.46	\$ -0.72	\$ -0.27
Statistical Uniform Price/cwt @ 3.5% BF*		\$ 15.97	\$ 15.71	\$ 16.16
Class I Price/cwt		\$ 20.24	\$ 20.44	\$ 20.44
Class II Price/cwt		\$ 13.16	\$ 13.16	\$ 13.16
Class III Price/cwt		\$ 16.43	\$ 16.43	\$ 16.43
Class IV Price/cwt		\$ 12.75	\$ 12.75	\$ 12.75
Component Prices & Test Avg. % aves				
Butterfat/lb.	\$ 1.5932	3.91%	3.86%	3.83%
Protein/lb.	\$ 3.3935	3.13%	3.19%	3.14%
Other Solids/lb.	\$ 0.12410	5.78%	5.79%	5.76%
SCC Adjust Rate/1000	\$ 0.00089			
Producer Milk Classified %				
Class I		20.00%	43.97%	38.30%
Class II		18.00%	16.58%	26.70%
Class III		49.90%	6.18%	19.90%
Class IV		12.10%	33.27%	15.10%
		100.00%	100.00%	100.00%

More than \$81,000 Paid to Members Since Fall 2019 for Disaster Assistance

FarmFirst's disaster benefits program is one that cooperative members know exists for them, but they hope they won't have to redeem. Natural disasters can take many forms, including blizzards, flooding, and even a derecho.

Experiencing wind speeds of up to 110 miles per hour, two cooperative members witnessed unprecedented damage to their dairy operations, ripping steel roofs off of their free stall barns, lifting concrete silos off the ground, and peeling away barn boards from a side of a hay barn.

Over the past year, FarmFirst's disaster benefits program awarded more than \$81,000 in disaster payments for 13 different member farms. FarmFirst members are eligible for these payments through the cooperative's disaster benefits program, assisting against the loss of milk income caused by the death of a cow by either lightning or electrocution, the loss of electric power or due to impassable roads due to snow or flooding. For more information, visit www.FarmFirstDairyCooperative.com under Member Benefits. 🇺🇸

Youth Scholarships Supports Next Generation in Ag

As a cornerstone in the cooperative's foundation, FarmFirst remains committed to supporting the next generation of youth. In 2020, scholarships totaling \$21,000 were awarded to 27 individuals. Since 2013, FarmFirst has generously provided scholarships to 192 individuals, awarding more than \$166,000 throughout the past eight years.

Your cooperative leaders continue to make supporting youth a priority, which is showcased through our membership programs and opportunities. As students pursue and build their careers, it is important for them to know that FarmFirst Dairy Cooperative is supporting them.

When our youth succeed, we all succeed. FarmFirst Dairy Cooperative is proud to be able to offer our scholarship program. Look on

FarmFirst's website for the 2020 application - available by December 1. 🇺🇸

Leadership Program Launched in 2020

FarmFirst launched a new leadership program titled, 'FarmFirst Future Dairy Leaders,' which focuses on enhancing members' leadership skills and their understanding of cooperative business practices.

The program kicked off in early March, and then was suddenly paused due to safer-at-home orders initiated in spring. Since then, the program remains paused as the program's success hinges on the participants networking with industry leaders, including cheesemakers, leading dairy economists, plant owners as well as state and federal government leaders, which is difficult to replicate virtually.

FarmFirst is optimistic that its leadership program can resume in 2021 and continue its mission of building the next generation of cooperative leaders. 🇺🇸





Attend FarmFirst's
District Member Meeting
VIRTUALLY!

**Wednesday,
December 2**



Attend FarmFirst's virtual
meeting and you'll hear:

- 🐄 FarmFirst's Year in Review
- 🐄 Cooperative Accomplishments
- 🐄 Program updates
- 🐄 Proposed Resolutions
- 🐄 Review the cooperative's public policy

Elections for board of director positions, District & Resolution Committee members and delegates will be conducted by a mail-in ballot only and will be sent in the coming weeks.

Don't miss our featured guest!

National Milk Producers Federation President and CEO, Jim Mulhern, will also join virtually for a real-time update on dairy policy, trade and other issues being discussed and acted on in Washington, D.C.

Be sure to join us on December 2!

Register online at www.FarmFirstDairyCooperative.com
or call 608-286-1909 today!