

# MILKLINE

NEWSLETTER



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## Uncertainty & Optimism A Year Later



A year ago, we were asked by a dairy publication for our response to the question, "In a word, what's the mood as 2021 gets under way?" Our response was "Uncertainty." To answer this same question a year later, we would still include 'uncertain' along with 'optimism' and 'concern.'

As we move into 2022, farmers are facing rising inflation and increasing costs that are negatively impacting their business, similar to most other industries across the U.S. and globe. The shortage of labor and plethora of supply chain issues continues to wreak havoc, leaving no industry or commodity untouched. Farmers already have a lengthy list of things to be concerned about, but these increased costs without knowing when they might return to a lower price causes uncertainty.

Yet, there's reason for optimism when looking at the futures prices. In a recent Hoard's Dairyman webinar, UW-Madison's Director of Dairy Policy Analysis, Mark Stephenson estimated a \$22 average All-Milk price, which would be \$2-\$2.50 higher than in 2021 when the average All-Milk price was \$19 per hundredweight.

To some farmers, the forecast for higher milk prices is a sigh of relief. But for farmers to be able to embrace these high milk prices, overall costs of production need to remain in check. Farmers will need to be creative to mitigate increases in their input costs.

Other reasons for optimism include the demand for dairy being very strong. The overall U.S. milk supply is expected to be challenged by various weather conditions across the globe, helping to tighten supply and demand. U.S. dairy exports that were tremendous in 2021 appear to be on track for another excellent year in 2022.

Further, research continues to show dairy's critical role in the diet of any generation, and dairy continues to be a popular food staple as households embrace eating at home.

For the U.S. dairy to continue to grow, FarmFirst will be advocating for meaningful trade policies to sell more product to more countries while maintaining a safety net like the Dairy Margin Coverage program, that kicks in when feed costs are high, and margins are tight. Further, FarmFirst will be

pushing for Congressional action on the labor shortage and other supply chain issues that continue to plague agriculture industries.

Regardless of what word one might use to describe the year ahead, FarmFirst will always be advocating for meaningful policy changes to improve your ability to dairy farm. 🇺🇸

## Official Notice: FarmFirst Dairy Cooperative 10<sup>th</sup> Annual Member Meeting

Notice is hereby given, by the President and Secretary of FarmFirst Dairy Cooperative, a regional cooperative with headquarters in Madison, Wisconsin (the "Cooperative"), pursuant to the Cooperative's Articles of Incorporation and Bylaws and proper actions of the Board of Directors of the Cooperative (the "Board"), that the regular Annual Delegate Member Meeting of the Cooperative will convene at 8:30 a.m., Saturday, February 12, 2022 at the Stoney Creek Hotel & Conference Center, 3060 South Kinney Coulee Road, Onalaska, Wis. for and in consideration of action upon any and all matters which may lawfully come before said meeting will continue until the disposition of all proper business. Dated this 20th day of January, 2022, by: John Rettler, President. 🇺🇸

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 advocacy, dairy marketing services, laboratory testing opportunities and industry promotion.



CONTACT INFORMATION

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visit us on

FarmFirstDairyCooperative.com



Like us on Facebook at  
www.facebook.com/FarmFirstDairyCooperative

Attend FarmFirst's Producer Discovery Workshops on Friday, Feb. 11 in Onalaska



FarmFirst Dairy Cooperative is looking forward to gathering with members and delegates at the 10th Annual Meeting set for February 11-12, 2022 at the Stoney Creek Hotel & Conference Center in Onalaska, Wis.

'Today's Vision, Tomorrow's Success,'

this year's annual meeting theme, will help members prepare for and gain some fresh perspective on the year ahead through the workshops, business meeting and resolutions session.

The cooperative's annual event kicks off with our Producer Discovery Workshops on Friday afternoon, which are open to all dairy farmers regardless of cooperative membership.



1:15 p.m. Federal Orders: Their History and Their Future

Dana Coale, Deputy Administrator of the Agricultural Marketing Services - Dairy Program with USDA in Washington D.C, will be speaking at 1:15 p.m. In her role, Ms. Coale oversees a wide array of programs and services that establish and maintain orderly dairy marketing conditions through federal milk marketing orders to ensure that consumers have adequate

supplies of pure and wholesome milk at all times. She'll provide a review of the structure of federal orders, how they operate, and their value to the industry. Ms. Coale will also discuss proposed changes to the orders that are being considered by the dairy industry.



2:45 p.m. Understanding the Milk Market & Your Management Tools

Travis Glaser, agent and co-owner at ARM Services, LLC, a dairy and crop risk management company, will present at 2:15 p.m. to share his insight on building a risk management strategy while Mark Stephenson, the Director of Dairy

Policy Analysis at UW-Madison will review the milk market forecast for 2022. With an in-depth knowledge of past dairy market trends and a passion for risk strategy, Mr. Glaser will share his insights on how to best prepare for what 2022 has to offer using the tools available to dairy farmers.

You won't want to miss these great educational opportunities! There is no cost to attend the workshops; however, to ensure sufficient seating space, please contact us sat 608-286-1909 to reserve your spot.

2022 Scholarship Application Available



Scholarship applications are now available for the 2022 FarmFirst

Dairy Cooperative scholarship program. The application deadline is **March 31, 2022**. Applications are available online at [www.FarmFirstDairyCooperative.com](http://www.FarmFirstDairyCooperative.com) or by calling 608-286-1909. Submissions can be received through the online form, via email or a printed, paper copy can be mailed in with a postmark date of no later than March 31, 2022. Please confirm receipt of your application.

## Court Rules That “Gruyere” Is Common Food Name, Not Specific to Europe



A major victory against protectionist dairy policies, a U.S. judge affirmed that gruyere is a generic style of cheese that can be produced anywhere, not just in France or Switzerland, and cheesemakers in

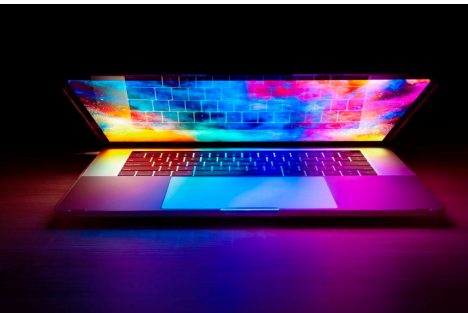
the U.S. can continue to manufacture and market cheese under this common name. French and Swiss cheese associations had sought to register “Gruyere” as a certification mark in the United States, thereby enabling them to prevent use of the generic term by others in the U.S.

The U.S. Patent and Trademark Office determined last year

that the application should be denied, and in an appeals ruling announced on Friday, January 7, Senior Judge T.S. Ellis III of the United States District Court for the Eastern District of Virginia upheld the Aug. 5, 2020, precedential decision of the USPTO’s Trademark Trial and Appeal Board. According to the Court’s decision, the arguments of the French and Swiss dairy associations claiming exclusive use of gruyere were “insufficient and unconvincing,” while the Consortium for Common Food Names (CCFN) presented “overwhelming evidence that cheese purchasers in the United States understand the term gruyere to be a generic term which refers to a type of cheese without restriction as to where that cheese is produced.”

FarmFirst has been a long-time advocate for common cheese names focused on preserving market access and opportunities for U.S.-made cheeses that rely on common product names. 🇺🇸

## Cyberattacks an Imminent Threat to Dairy Farms, Processors



Dairy processing facilities are vulnerable to extortionary cyber disruptions. Because of this, the Department of Homeland Security has published their latest guidelines about how businesses can protect themselves.

Cybersecurity threats in agriculture can affect all levels of the supply chain, from farm to retail, as one of Wisconsin’s largest milk processors discovered recently.

Clay Detlefsen, NMPF senior vice president of regulatory affairs, serves as chairman of the private sector’s point person for collaborating with federal agencies on this topic, including the DHS’s Cybersecurity and Infrastructure Security Agency (CISA). Detlefsen advises the U.S government on the unique cybersecurity considerations and implications for agricultural producers and processors. These efforts have resulted in the prioritization of cybersecurity in CISA’s Food and Agriculture Sector-Specific Plan and a focus on food and agriculture-related cybersecurity concerns in council meetings and webinars.

FarmFirst identifies the importance of cybersecurity and understands the threat it presents to the dairy industry as a whole. When an attack is made on any processor, it impacts the industry as whole through a variety of ways including pausing manufacturing and halting intake of milk. FarmFirst finds it to be crucial in setting up the proper securities in protecting processor databases. 🇺🇸

## Administration Seeks to Preserve Climate Funding as Build Back Better Package Languishes

The months-long stalemate over the \$1.75 trillion social spending bill dubbed Build Back Better is prompting lawmakers and the White House to reassess what actually can win a majority of votes in the Senate. During a news conference in mid-January, President Biden suggested he would break up his climate and social spending bill to improve the chances of passage of at least certain elements of the broader package.

Overall, the dairy industry has been supportive of additional funding for climate-smart agriculture programs, including incentives for greenhouse gas mitigation practices on farms. The Build Back Better package contained more than \$500 billion for energy and environmental issues and moving legislation specific to that area is likely to be a logical next legislative step. Sen. Joe Manchin (D-WV) has indicated he wants negotiations to start over from the ground up, which could further push the development of a politically-viable bill into the spring.

FarmFirst remains engaged on climate-smart agriculture funding while advocating for fiscally responsible legislation. The dairy industry has long maintained that farmers are not only part of the solution, but the solution. It is imperative that there is congressional support in helping the industry reach our industry-set climate and sustainability goals. 🇺🇸



## Delegates Elected for 10th Annual Meeting

All members had an opportunity to nominate, and then vote for fellow members to serve as delegates or alternates to the upcoming 10th Annual Meeting of FarmFirst Dairy Cooperative being held in-person on February 12. During the business meeting, these individuals will review resolutions and any proposed bylaws, and provide feedback and direction to cooperative leadership. The following members were elected in their respective districts:

**District 1:** Henry Granskog, Bob Hanchek, Kevin Hoewisch, Dave Johnson, Bruce Long, Charlie Meintz, Scott Mellgren, Terry Perttula, Tim Smith, David Wagner

**District 2:** Russell Braun, T.J. Haelfrisch, Eugene Hansen, Mark Leichtfuss, Andy Meyer, Jim Smidel

**District 3:** Loron Bock, Travis Clark, Ronald Griebenow, Peter Martin, Mike Paulus, Tony Schmitz, Earl Van Ruiswijk, Nathan Wiese

**District 4:** Tom Bunkelman, Travis Dehnel, David Hannemann, James Juedes, Keith Kreager, Will Litzer, Jeff Osborn, Julie Stowe

**District 5:** Will Beitlich, Lawrence Durst, Jackie Hoffman, Stephanie Hughes, Sharon Laubscher, Peter Mallek, Peggy Pankratz, Abby Swan, Mike Yager

**District 6:** Mark Decker, Brian Dinderman, Doug Droessler, Jerry Hammerand, Mike Kempfer, Terry Kieler, Pat Leonard, Glen Meier, Kurt Schmitt, Becky Wellnitz

**District 7:** Donald Bangart, Paul Fischer, Dean Hoesly, Holly Lindner, Mitch Malm, Allen Mayer, Randy Meyer, Michelle Popp, Dean Schmelzer, Tom Shafto

**District 8:** Doug Danielson, Daniel Goebel, Dan Holub, Gary Kohn, Tim Malm, Mary Muska, George Polzin, Donald Schesel

**District 9:** Allen Blommel, Riley Boadwine, Anne Borgschatz, Joe Bragger, Bernard Manderfeld, Richard Rosen, Keith Welgraven

## FarmFirst Bylaw Amendment Notice

PLEASE TAKE NOTICE that pursuant to Article XIII. Section 2.a. of the Bylaws, on January 19, 2022 the Board of Directors adopted the following amendment to the Bylaws:

1. A new Article IV, Section 1 c., of the Bylaws is hereby added to the Bylaws to read in its entirety as follows:

"c. Notwithstanding the foregoing, either: (a) the Board of Directors may, at their discretion; or (b) the Board of Directors shall, provided that none of the Directors elected under Article IV, Section 1, a. above ship milk through the Family Dairies USA division of the Cooperative; appoint one (1) Member by majority Director vote who ships milk through the Family Dairies USA division of the Cooperative from the at-large Cooperative membership to serve on the Board of Directors as a voting Director consistent with the provisions of Article IV (a "Family Dairies USA Director"). If and when appointed, such Family Dairies USA Director shall be deemed an outside director consistent with §185.31(1)(b), Wis. Stats. If such appointment is deemed necessary, the Board of Directors may ask for nominations for such persons to serve as the Family Dairies USA Director from the Family Dairies Milk Advisory Committee, but any Family Dairies USA Director appointed to the Board of Directors shall be selected by the Board of Directors in the Board of Directors' sole discretion by majority vote. Except as otherwise provided in these Bylaws, any such appointed Family Dairies USA Director shall serve until the next annual meeting of the Cooperative.

2. In all other respects, the terms and provisions of the Bylaws shall remain in full force and effect.

Article XIII. Section 2.a. of the Bylaws states; the Board of Directors is empowered to adopt, amend, or repeal any of the Bylaws of this Cooperative by the vote of two-thirds (2/3) of the entire membership of the Board of Directors at any regular or special meeting of the Board of Directors, the notice for which includes reasonable advice that such action is to be considered. Any Bylaw adopted, amended, or repealed by the Board of Directors shall be reported to the Members before the next annual Member District meeting(s) of the Cooperative, and shall be reported at the next annual Member District meeting(s) and the next annual Member Delegate meeting as required by law. 🐄

## Director and D&R Election Results

During our fall member elections, several districts were open for a seat as a Director on the Board and as a member of the Districting & Resolutions Committee. Below are those individuals that were elected in their districts:

### Board of Directors:

- District 1 - Steve Brock
- District 3 - John Rettler
- District 5 - Stephanie Hughes

### D&R Committee:

- District 1 - Dave Johnson
- District 3 - Ron Griebenow
- District 5 - Peter Mallek
- District 7 - Allen Mayer
- District 9 - Allen Blommel

# Volatility in the Milk Market



Today's dairy producers face an ever evolving and volatile milk market. There are options out there that can help manage this risk and volatility. Producers have several options for risk management.

- Forward contract with your creamery
- Use a broker utilizing the CME
- Dairy Margin Coverage (DMC) through FSA
- Insurance products through your crop insurance agent such as DRP and LGM.

The first program all producers should be utilizing is DMC through the FSA office. In 2021, DMC paid an of average \$2.90 cwt per month on 1/12th of a producers' base pounds. This is a great program but should not be the only risk management strategy in place.

Several years ago, ARM Services completed a study on when the best time to forward contract milk was. The study showed that over time farmers got the best price at the bulk truck.

The image to the left shows the volatility at the bulk truck. How do we mitigate that volatility? What is available that will allow us to capitalize on the upward price movements but protect against downward price swings? One option would be to purchase a put from the CME. Purchasing a put for March of 2022 at \$16.50 would cost around \$0.61 plus fees. This would give you a floor on your milk while still allowing for upside movement. Over time this can get expensive, and the contracts may be too large for some producers. An American option covers 200,000 lbs. and a mid-sized milk option covers 100,000 lbs.


Another choice to put a floor on your milk would be to use Dairy Revenue Protection (DRP) or Livestock Gross Margin (LGM). These are both federally subsidized programs that can be purchased through your crop insurance agent. They both can be thought off as a subsidized put. Both programs have pros and cons, but ARM Services mainly uses LGM.

LGM gives you the ability to pick a deductible and takes feed into account which will help the program over time. The key to making LGM a solid risk management plan is to stay consistent. LGM is offered every Thursday, but we

try to have our clients all sign up on the Thursday before the last business Friday of the month. At a \$1.00 deductible the subsidy rate is 48% so the farmer only pays 52% of the real cost. If you use LGM to cover July of 2022 at the \$1.00 deductible it would give you a floor around \$20.00 and it would have cost around \$0.65 a cwt which is less costly than using a put from the CME as we saw above.

DMC combined with LGM is a great risk management strategy. Clients that are consistent with our plan are very happy. Nine out of the last thirteen years LGM has provided a net return. The four years there wasn't a net return, you still got paid an indemnity just not enough to cover the premium. It is important to work with an advisor who is knowledgeable in the federal programs but also has a good understanding of the milk market.

Contact ARM Services by calling 715-456-5607 to learn more about how their strategy can work for you.

*FarmFirst has partnered with ARM Services LLC to provide resources and expertise on dairy risk management. Whether you are familiar with risk management or asking questions about a new strategy, we are confident that ARM Services can answer your questions and build a plan that can meet your goals.* 



## 2021 Dairy Margin Coverage Payments Top \$1.2 Billion

The Dairy Margin Coverage (DMC) Program proved to be a vital to dairy farmers as a risk management plan throughout 2021, as indemnity payments were issued every month through November with a small indemnity payment anticipated for December (which was not announced at the time of printing).

Of the nearly 25,200 dairy operations with established milk production history, 75% enrolled in DMC in 2021, covering more than 163.1 billion pounds of milk as stated in Progressive Dairy.

As of Jan. 18, 2022 (covering January-


November 2021 milk marketings), total 2021 indemnity payments had topped \$1.19 billion, averaging more than \$63,000 per dairy operation.

### 2022 Enrollment Open Through Feb. 18

Producers may enroll in 2022 coverage for the Dairy Margin Coverage program at their local Farm Service Agency (FSA) office now through Feb. 18. Producers are encouraged to set up appointments with their local FSA offices due to concerns related to COVID-19 variants.

Any payments DMC participants received for either the hay adjustment or supplemental production history cannot

be applied to 2022 DMC premiums. Producers do have the option to have 2022 premiums' fees deducted from indemnity payments. The payment sequestration deduction rate of 5.7% continues into 2022.

The quoted price for alfalfa for 2021 and beyond is based on premium alfalfa hay rather than a 50% level for the premium legume. Also, dairy farmers who expanded production but remain under the 5 million production cap can sign up for Supplemental Coverage. USDA projects this Supplemental Coverage could net \$580 million. 

# DECEMBER 2021

Order Name and Number	UPPER MIDWEST	CENTRAL	MIDEAST
	Order 30	Order 32	Order 33
Producer Milk (lbs.)	2,262,963,814	1,223,603,396	1,642,449,081
Producer Price Differential @ base zone	\$ 0.25	\$ 0.67	\$ 0.99
Statistical Uniform Price/cwt @ 3.5% BF*	\$ 18.61	\$ 19.03	\$ 19.35
Class I Price/cwt	\$ 20.97	\$ 21.17	\$ 21.17
Class II Price/cwt	\$ 19.84	\$ 19.84	\$ 19.84
Class III Price/cwt	\$ 18.36	\$ 18.36	\$ 18.36
Class IV Price/cwt	\$ 19.88	\$ 19.88	\$ 19.88
<b>Component Prices &amp; Test Avg. % aves</b>			
Butterfat/lb.	\$ 2.2919	5.24%	4.17%
Protein/lb.	\$ 2.5937	3.29%	3.36%
Other Solids/lb.	\$ 0.45320	5.79%	5.77%
SCC Adjust Rate/1000	\$ 0.00088		
<b>Producer Milk Classified %</b>			
Class I	9.80%	31.26%	34.80%
Class II	1.50%	7.77%	12.70%
Class III	87.80%	49.26%	44.00%
Class IV	0.90%	11.71%	8.50%
	100.00%	100.00%	100.00%



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Attend FarmFirst's Workshops on  
Feb. 11 - More Info Inside!



*You're Invited!*

**FarmFirst's Happy Hour**  
Tuesday, March 29 at The Sanford Center

Drinks & Appetizers Available from 5:00 p.m. - 7:00 p.m.  
Visit with General Manager Jeff Lyon & Field Rep. Betty Lund  
to learn more about FarmFirst programs and opportunities.  
Members also receive free FarmFirst apparel!

## Special Thanks to our 2022 Annual Meeting Sponsors

FarmFirst would like to thank this year's Emerald sponsors including CoBank, Cooperative Network, Dairy.com, Dairy Management Inc., M3 Insurance, Wisconsin Bank & Trust, Wisconsin Beef Council and the Wisconsin Livestock Identification Consortium as well as these Platinum sponsors featured here for their support of the cooperative. Thank you! 🐄

