

# MILKLINE

## NEWSLETTER



**HIGHLIGHTS:** *FarmFirst Sets Policy Priorities* p 2  
*Letter to Congress on Pacific Trade* p 3

*U.S.-Made Fertilizer Investment* p 3  
*Senate Passes Shipping Legislation* p 3

*Next Gen Consumers* p 4  
*Price Outlook for 2022* p 5

## Dairy Industry Deserves Opportunity for Exports



In 2021, dairy product exports totaled 17.3 percent of U.S. total milk solids production, a record for the U.S. dairy industry. Coupled with imports at 3.2 percent of U.S. total milk solids production and you have the largest positive trade balance ever for dairy. For just over 20 years we have seen a significant increase in dairy exports with a consistent decrease in dairy imports.

The U.S. dairy industry has the capacity to raise its level of exports even further. Unfortunately, the Biden Administration's trade policy agenda has been idling with no indication that they are going put it in drive any time soon and move forward with a strategy focused on expanding export markets. The Administration's refusal so far to pursue comprehensive trade agreements whether bi-lateral or multi-lateral and letting Trade Promotion Authority expire

is hurting the dairy industry's prospects. Its trade policy agenda refers to trade and investment and economic "frameworks" but that doesn't equate to sitting across the table, rolling up the sleeves and working on a trade agreement built around tariff cuts.

***"In 2021, dairy product exports totaled 17.3 percent of U.S. total milk solids production, a record for the U.S. dairy industry."***

President Biden's appointment of Katherine Tai as U.S. Trade Representative was by all accounts an excellent choice as she is acknowledged as being a person with extensive experience and success who understands trade issues. One only has to look at her resume. In fact, shortly after being appointed, she was instrumental in holding Canada's feet to fire for not complying with the re-negotiated United-States-Mexico-Canada Agreement done during the Trump Administration. The United States subsequently won a dispute settlement panel over their tariff rate quotas in December. While the jury's still out on Canada's compliance, to date Ambassador Tai has shown a willingness to defend existing trade commitments – but we need to see that same appetite on pursuing new deals as well.

While the appointment of Tai is a bright spot, we learned recently that Elaine Trevino, President Biden's choice to be the lead agriculture trade negotiator at the U.S. Trade Representative's Office, withdrew her nomination for that position. So now things start all over while the dairy

industry and all of agriculture wait to see who the next nominee is and how long it will take to get that person confirmed. Further, USDA has yet to name an Under Secretary for Trade.

To its credit, the Biden Administration is actively engaged in trying to solve

the various supply chain and port issues that are plaguing the dairy industry but those efforts, like "trade frameworks," do not equate to the deep market access gains that can be secured through trade agreements.

With respect to dairy competitors, the European Union, New Zealand and Australia are showing signs that their dairy industries have limitations on their ability to significantly grow dairy exports in the future. With Russia's invasion of Ukraine and no time timetable on when or how it will end, there could be a significant strain on many countries around the world. The U.S. is being counted on to take a leadership role in so many areas. One of which will be to help feed and provide the nutritional needs of Ukraine refugees and other consumers around the world.

Changes in domestic dairy farmer support programs and increased interest, investment (by both processors and farmers), expertise, and meeting customer needs by dairy processors,

*Continued on Page 2...*

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.

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## Dairy Industry Deserves Opportunity for Exports

Continued from Page 1



together with the favorable trade agreements the U.S. has in place, have been the main reasons why the U.S. dairy industry has reached an all-time high in dairy exports. For the dairy industry to reach new highs in dairy exports, we need the Administration to stop idling and step on the pedal and prioritize bi-lateral and multi-lateral trade agreements now. 🐄

Article by Jeff Lyon  
FarmFirst Dairy Cooperative



## FarmFirst Sets Policy Priorities for 2022

At its March board meeting, the FarmFirst Dairy Cooperative Board of Directors reviewed approved policies from the 2022 annual meeting and identified this year's top priorities.

**Increasing Costs to Farm** - The COVID-19 pandemic created several challenges affecting the global economy including supply chain issues such as port delays, labor shortages, and trucking which have caused input costs to substantially increase making it difficult to be profitable. The recent invasion by Russia into Ukraine has produced a number of concerns with respect to global policies and their potential effect on the economy. FarmFirst will work for policies to address these issues.

**Increasing Domestic Production of Agriculture Inputs** - Support policies to produce inputs through innovative and sustainable production methods in the U. S.

**Federal Order Modernization** - With the anticipation of a national hearing, FarmFirst will be engaged on all issues related to Federal Milk Marketing Orders to make sure there is shared benefits for dairy farmers and their processors.

**2023 Farm Bill** - Discussions are underway, and FarmFirst will remain engaged on dairy title programs, specifically the Dairy Margin Coverage program, to make sure it remains an effective safety net for dairy farmers.


**International Trade** - Advocating for comprehensive trade agreements that will allow for increased market access and also the implementation of current trade agreements.

**Dairy Labeling** - FarmFirst will continue to advocate to have the Food & Drug Administration enforce its existing standards with respect to the definition of milk and other dairy related terms to ensure cell-based, lab-grown, and plant-based products cannot capitalize on dairy's reputation and nutritional quality.

**Environment** - Support climate smart policies that recognize contributions dairy farmers have already made to reduce their carbon footprint and advocate for policies that will adequately compensate dairy farmers for their conservation, nutrient management and soil health improvement efforts.

Additional priorities include ag labor reform, maintaining consumer confidence in milk by sharing how dairy farmers care for their animals and ensure a safe milk supply, consumer and childhood nutrition, and support for beginning farmers. 🐄

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## Dairy Priorities Emphasized in Congressional Letter on Pacific Trade



More than 80 members of Congress, including many members of the House Ways & Means and

Agriculture Committees, are urging the Biden Administration to prioritize agricultural sales as the administration develops trade deals with Asian nations. The bipartisan letter, which NMPF and USDEC helped build support for, calls on Agriculture Secretary Tom Vilsack and U.S. Trade Representative Katherine Tai to prioritize farm exports in a new Indo-Pacific Economic Framework (IPEF) under development by the White House. IPEF is a limited trade contract intended to strengthen trade relations, supply chain resiliency, and cybersecurity in the region, although it is not a formal free trade agreement.

Echoing the message from FarmFirst General Manager Jeff

Lyon in this month's cover story, Trade Representative Katherine Tai was challenged recently by members of the Senate Finance Committee for not taking a more aggressive stance to develop new trade agreements. During a recent hearing, Tai said that the Biden administration is targeting reductions in foreign tariffs through agreements such as the one reached with the European Union over aircraft subsidies, and the new Asia-focused IPEF.

But senators in both parties said that new free trade agreements also need to be part of the Administration's arsenal, arguing that good intentions won't reduce tariffs without the teeth of enforceable agreements. NMPF has made the same point with the White House and lawmakers, particularly given that other dairy exporting powers, including New Zealand and the EU, are pursuing free trade pacts with other nations that are placing the U.S. at a competitive disadvantage.

FarmFirst detailed the missed opportunities for new trade agreement development in Lyon's recent editorial, and hopes discussions on trade expand to include building new agreements focused on exporting valuable U.S. agriculture goods. 🇺🇸

## Senate Passes Ocean Shipping Legislation



The United States Senate took an important step toward untangling international supply chains through the passage on March 31 of its version of the Ocean Shipping Reform Act (OSRA). The legislation increases pressure on ocean shippers to move U.S.

exports overseas to help alleviate supply chain disruptions affecting dairy and other sectors. OSRA was cosponsored by Sens. Amy Klobuchar (D-MN) and John Thune (R-SD).

The bill must now be conferenced with the previously passed House version of the OSRA, which is more prescriptive in regulating ocean carriers. The Senate legislation lacks the House's mandate requiring carriers to take American goods, as well as the imposition of minimum service standard requirements on carriers – both of which are in the House version. Instead, the Senate bill delegates authority to the Federal Maritime Commission to devise new rules for ocean carriers. Those differences between the House and Senate bills could be resolved as part of upcoming conference negotiations on a bigger innovation and competitiveness bill that both congressional chambers are considering.

FarmFirst, alongside industry leaders, will continue to work closely with allies in Congress to ensure that regardless of its final legislative form, OSRA's benefits address the harmful practices of foreign-owned ocean carriers and help alleviate the supply chain congestion. 🇺🇸

## FarmFirst Applauds \$250 Million to Support American-made Fertilizer

On March 11 the United States Department of Agriculture announced they would invest \$250 million to support independent, innovative, and sustainable American fertilizer production to supply American farmers.

"The past two years have revealed so much for how important our supply chains are for production agriculture, and how farmers rely on various inputs from overseas to do our work, whether that is fertilizer or replacement parts for equipment," says John Rettler, dairy farmer from Neosho, Wis. and president of FarmFirst Dairy Cooperative. "We applaud the announcement by USDA. Greater independence from imports of inputs is a policy priority for FarmFirst, and even without the supply chain challenges we're facing, or the unprovoked war Russia has brought on Ukraine, it simply makes sense for American farmers to have a reliable, domestically produced source of fertilizer."

The recent announcement mirrors the policy priority adopted by



FarmFirst members at the cooperative's annual meeting held in mid-February, which reiterated their support of domestically produced inputs to reduce our reliance on foreign-made products. 🇺🇸



## Next Gen Consumers

Written by Anne Wardin, Originally Published in Dairy Processing Magazine December 2021



Did you catch some recent media stories that addressed a coffee shop trend? Young consumers are flaunting their whole milk coffee orders on social media.

Yes, whole milk, sometimes unfairly disparaged by some consumers, is now in vogue. And it is being embraced by segments of the population who are critical to dairy's future: Millennials and Gen Z.

This perfectly illustrates the ever-changing world of consumer trends. Just when you think something is old, it's new again.

Understanding consumer trends is a priority for Dairy Management Inc. (DMI), which manages the national dairy checkoff on behalf of 31,000 dairy farm families and importers. Our mission is to drive sales and trust and support a secure future for those who fund us.

The consumer is our bullseye, which is why we study their habits. If we don't know how, where and why they consume dairy, then our chances for success are lessened.

The good news is most people love dairy. One of the most telling proof points is USDA's annual per capita figure, which continues to increase. USDA's recent report shows Americans consumed 655 pounds of dairy in 2020 on a milkfat milk equivalent basis, up 3 pounds from 2019.

When the dairy checkoff was founded in 1983, per capita was 573 pounds, so that is an 82-pound increase that checkoff-led efforts have helped to increase through strategies, such as

working with foodservice, retail and CPG leaders, here and around the world.

While this is good news for farmers and dairy companies, fluid milk consumption is steadily declining, particularly among consumers younger than 40. This segment grew up with an overwhelming number of beverage options, plus the onset of social media and the internet, tools many have never lived without.

The checkoff's key target is Gen Z (ages 10 to 23), who present a golden opportunity, and for good reason. They constitute 20 percent of the population and will be the parents of tomorrow, if some already aren't today. They have about \$100 billion in purchasing power, which doesn't account for the influence they have on their parents when it comes to products brought into the home.

Gen Z is passionate about their causes, such as the environment and animal care, and they expect brands and industries to feel the same way. Dairy's sustainability efforts are critical to this generation and they expect us to continue making progress. Gen Z will purchase other products if they believe brands do not support their values.

Checkoff research reveals further Gen Z traits:

- Overall, they are skeptical by nature and need more convincing of dairy's health benefits and responsible production methods. Gen Z will require different messaging than Millennials, who generally have a favorable view toward dairy and often just seek reassurance.
- Gen Z is on such a diverse array of media that we must maintain a steady drumbeat to reach them. We must work as an industry to show up in various channels and be able to speak their language. We also must work harder – with a strong fact base – to answer questions about health and the environment, whether that's

in online searches, their social media feeds, through trusted influencers or directly on products.

So, is reaching Gen Z a lost cause?

Far from it.

We have many reasons for optimism, but it requires turning the milk jug on its head. We know Gen Z isn't necessarily against dairy, but they have a "what's in it for me" proposition that goes beyond dairy's 13 essential nutrients message.



Moving into how dairy not only helps the body but emotional wellness and how it helps you feel is a great place for dairy to be. In fact, checkoff research shows that milk is highly aligned with teenagers' physical and emotional needs, and that connection has only grown through the pandemic. This is our opportunity to reimagine milk and dairy's benefits in a way that is highly relevant and sets us apart from other options.

This is why checkoff strategies are focusing on benefits that have what Gen Z is looking for. Here are four growth opportunities we discovered through our research:

- Immunity – Gen Z wants their immune systems to be as healthy as possible, so our science will show how a diet featuring dairy can support that.
- Calm – there is growing demand for products that bring calm and steadiness to their stressful lives. So, with teens and young adults returning to a hectic schedule, we'll

# Next Gen Consumers

Continued from Page 5 | Written by Anne Wardin

lean into how milk, cheese and yogurt can provide a calming moment.

- Energy – dairy and its many nutritional components, including protein, can offer the sustained energy Gen Z needs to get through the day.
- Digestive Health – while this isn't an area Gen Z proactively discusses, it can be why they won't consume dairy. We must show there are dairy foods for every lifestyle.

It's certainly a long way from the "bone-building" campaign days but these benefits – backed by research that was led or supported by the farmer-founded National Dairy Council – can make dairy relevant or even cool. We can offer a badge of worthiness to Gen Z, such as the whole milk latte story illustrates.

This new approach is the foundation of a campaign we launched with our 16 state and regional checkoff colleagues called

Reset Yourself with Dairy. Its aim is to build deeper connections with Gen Z and give them new reasons to choose dairy over other products.

It's an all-out blitz using various media channels and marketing strategies, including gaming, social media influencers and digital content. Dairy content, including humorous videos, is appearing on Spotify, where Gen Z heads for music and podcasts, as well as across YouTube and Google video searches and via television streaming providers Hulu, Roku and Vevo.

There is continued outreach to the gaming community, and the content is on TikTok, Instagram and Snapchat where we'll work with social media influencers, who Gen Z finds to be authentic. The effort also includes a partnership with Kroger Digital and Instacart for content to appear in their apps and mobile sites.

Additionally, we'll have activations on about 400 college campuses, including on TV screens in recreation centers and cafeterias.

There is lots to be excited about on our Gen Z journey. This is our time to show them that dairy is more than they ever knew, and it can hold a place of relevance in their lives.

And it may even deliver a "cool" social media opportunity.

To learn more about dairy checkoff efforts, visit [www.usdairy.com](http://www.usdairy.com).

*This article first appeared in the December issue of Dairy Processing.* 



Anne Wardin, DMI

## Risk Management: Outlook for 2022



***Now that we're into the month of April, how do you anticipate the dairy markets to play out for the rest of 2022?***

I will never claim to know with certainty what will happen with the dairy markets. If there is one thing that is constant in the markets it would be a level of uncertainty. However, from what I'm reading about issues globally and within the U.S., I believe market conditions will be favorable for U.S. dairyman for the remainder of 2022.

***What do you believe will have the biggest impact on prices, creating a bit of uncertainty right now?***

This is a question I can't answer directly, I can only share a history lesson. I remember the fall of 2019, that everything was looking good and it was expected that dairy prices

would be great in the coming year. We all know what happened next. Did anyone predict that? The one thing I have learned in my 12 years of working with dairy producers is that markets can change without warning and quickly.

While anyone can feel certain about how the markets may play out, no one can ever be 100%, which makes it important to have a risk management plan, so you never have to worry about being 100% right.

***What is your recommendation on a dairy farmer protecting their milk price for the rest of this year?***


We currently have projected milk prices at record high amounts. I believe producers should take a look at using DRP or LGM-Dairy to put a floor on their milk. In today's markets, with input prices on the rise, it's important to keep the top-side of your profit potential open. In protecting your milk price, you want to make sure it doesn't fall, but there's every advantage to keeping the door

open to higher milk prices.

Also, if you are using an options strategy, puts and or calls, tread with caution. It's important to understand how these products work and when they should be utilized. The last thing I want is for a producer to think they have the best plan only to discover later that it didn't work.

If you're interested in reviewing your marketing strategy or developing one we would love to visit with you. Invest 30 minutes with us, and you'll have confidence in your strategy instead of blind faith. We value education over sales every day!

*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.* 



**Call Travis Glaser at  
ARM Services:  
715-456-5607**

FEBRUARY 2022

	UPPER MIDWEST		CENTRAL	MIDEAST
Order Name and Number	Order 30	Order 32	Order 33	
Producer Milk (lbs.)	2,389,553,919	1,169,898,892	1,278,612,396	
Producer Price Differential @ base zone	\$ 0.28	\$ 1.07	\$ 1.28	
Statistical Uniform Price/cwt @ 3.5% BF*	\$ 21.19	\$ 21.98	\$ 22.19	
Class I Price/cwt	\$ 23.44	\$ 23.64	\$ 23.64	
Class II Price/cwt	\$ 23.79	\$ 23.79	\$ 23.79	
Class III Price/cwt	\$ 20.91	\$ 20.91	\$ 20.91	
Class IV Price/cwt	\$ 24.00	\$ 24.00	\$ 24.00	
<b>Component Prices &amp; Test Avg. % aves</b>				
Butterfat/lb.	\$ 3.0218	4.23%	4.18%	4.13%
Protein/lb.	\$ 2.3168	3.29%	3.33%	3.29%
Other Solids/lb.	\$ 0.59830	5.79%	5.79%	5.77%
SCC Adjust Rate/1000	\$ 0.00095			
<b>Producer Milk Classified %</b>				
Class I	8.20%	29.55%	39.50%	
Class II	1.40%	8.25%	10.60%	
Class III	89.70%	49.92%	47.00%	
Class IV	0.70%	12.28%	2.90%	
	100.00%	100.00%	100.00%	



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*FarmFirst Advocates for More  
Trade Opportunity - Page 1*

## Thanks for Stopping by FarmFirst Dairy Cooperative's Booth!

FarmFirst staff enjoyed catching up with dairy farmers and members at the various tradeshow this past month. Conversations focused on milk markets for 2022, Federal Order reform, dairy labeling, milk income loss and more.

Next up: Farm Tech Days on July 12-14, 2022 at Roehl Acres Farm & Rustic Occasions in Loyal, Wis!

