June 2022

MILKLINE

NEWSLETTER

FARMFIRST DAIRY COOPERATIVE

Baby Formula Shortage Spotlights the Value of Real Dairy

There seems to be enough supply chain problems facing the United States without adding a recall from a major U.S. manufacturer of baby formula into the mix.

In mid-February, Abbot Nutrition announced a voluntary recall on one variation of their baby formula products manufactured in their Sturgis, Michigan facility. The plant was immediately shut down due to unsanitary conditions including pooling water and a leaky roof. According to Dr. Robert Califf, head of the Food and Drug Administration as quoted in the New York Times, "the inspection results were shocking. We had no confidence in integrity of the quality program at the facility."

FDA worked with the Justice Department to dictate steps the company needed to take to turn the facility around, in order to reopen the plant on June 4, with formula rolling out on June 20. If all goes according to plan, new shipments could reach store shelves within six to eight weeks, although resumption of full production at the plant will take longer.

"If the quality controls at a factory that is responsible for 25 percent of the nation's baby formula demand isn't garnering sufficient attention from the FDA, then what is?"

Christopher Calamari, an Abbott Nutrition Senior Vice-President had little to say to justify the conditions at the Michigan plant in the same article, but did mention he was "deeply, deeply sorry" about the shortages. To help increase the supply of baby formula, they were arranging 50 flights a week to a dozen U.S. airports from its plant in Ireland.

I tell my four-year-old daughter the importance of saying sorry when she does something wrong, but I think Mr. Calamari and the rest of the leadership team at Abbot Nutrition need more than a scolding and timeout on this one.

Beyond the alarming conditions and lack of leadership at the facility, I cannot ignore the inability and competency of FDA to uphold their responsibilities to ensure the safety of our nation's food supply, especially when it impacts the health and well-being of babies.

If the quality control protocols at a plant that is responsible for 25 percent of the nation's baby formula demand isn't garnering sufficient attention from the FDA, then what is?

It seems to me that alarms should be going off everywhere, sending a warning to all Americans about the status of the FDA.

If there is a positive note to come from all this, it would be that cows' milk has been given the greenlight by the American Academy of Pediatrics (AAP) as a safe, last resort to supplement babies from ages six months and up when formula is not an option. Typically, cow's milk is given after 12 months of age.

Pediatricians suggest this shouldn't be a long-term solution in light of the crisis, but that cow's milk is preferred to watering down existing formula supplies or making your own baby formula. I hope that everyone is paying attention. The recommendation was that cow's milk, not any other alternative pretending to be real milk should be fed to babies.

Whether it's parents of a newborn, those with growing children, or the rest of us, AAP has placed the spotlight on cow's milk being the best nutrition option.

It seems like a tall order to have the FDA begin enforcing their definition of dairy terms, but in light of this baby formula crisis, it has only reiterated the importance of such definitions and the need for additional support across the agency to get their work complete.

Article by Julie Sweney, 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 advocacy, dairy marketing services, laboratory testing opportunities and industry promotion.

FARM FIRST
DAIRY COOPERATIVE

CONTACT INFORMATION

BOARD OF DIRECTORS

President: John Rettler
Neosho, Wis. 920-625-3237

Vice-President: Steve Brock
Daggett, Mich. 906-290-1917

Secretary: Kathy Bauer
Faribault, Minn. 507-332-2870

Treasurer: Bob Dietzel
East Dubuque, Ill. 563-543-2368

Young Cooperator Rep: Travis Clark
Eldorado, Wis. 608-516-8789

Wayne Gajewski- *Athens, Wis. 715-370-5078*

Stephanie Hughes - *Pittsville, Wis. 715-307-1520*

Richard Meyer - *Unity, Wis. 715-223-2058*

Dan Vandertie - *Brussels, Wis. 920-493-7564*

Brian Wozniak - *Stanley, Wis. 715-230-9426*

MEMBER SERVICES FIELD STAFF

Bob Hodgson- *Dyersville, Iowa. 608-642-2859*

Betty Lund - *Mondovi, Wis. 715-491-9119*

Rick Wolfe - *Aniwa, Wis. 715-581-4321*

Pat Yeagle - *Winslow, Ill. 815-291-4581*

Dan Zeleske- *Fond du Lac, Wis. 920-323-7079*

MILK MARKETING FIELD STAFF

Jeff Bradley - *Columbus, Wis. 608-516-3624*

Cheryl Zablocki-Wagner - *Seymor, Wis. 920-901-2173*

MAILING ADDRESS

P.O. Box 14380
Madison, WI 53708-0380

MADISON OFFICE

4001 Nakoosa Trail, Suite 100
Madison, WI 53714
(608) 244-3373

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FarmFirstDairyCooperative.com

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FarmFirst Distributing Half Million Dollars in Equity Payment to Members

Equity from 2003 and 2004 is being distributed back to members this spring

The FarmFirst Dairy Cooperative board of directors recently approved the distribution of $511,373 in patronage equity payments to eligible cooperative members. The equity being distributed is from 2003, 2004 and a small remaining amount from 2010. A total of 2,264 checks are being mailed as part of this equity distribution.

"The FarmFirst Board of Directors has always been committed to returning patronage to our members, and this year presented the opportunity to do so," said John Rettler, dairy farmer from Neosho, Wis. and President of FarmFirst Dairy Cooperative. "This year the board decided to return the oldest equity that was on the books to members."

Patronage checks for eligible members from 2003 and 2004 were mailed the week of May 23. The check represents the full amount originally allotted to each eligible member.

Sign Up for FarmFirst's Weekly E-newsletter

Members are encouraged to sign up for FarmFirst's weekly e-newsletter to stay up-to-date on the latest advocacy efforts and most recent developments taking place on dairy policy. This service is free, with the e-newsletter arriving in members' inbox every Friday. Sign up by emailing Julie Sweney at jsweney@farmfirstcoop.com to ensure you're getting the latest dairy news!

Wiese Elected as New Young Cooperator Chair, Clark Continues Duties as Vice-Chair

Nathan Wiese of Rosendale, Wis. was recently elected to serve as chair of the Young Cooperator Steering Committee. Stephanie Hughes of Pittsville, Wis. the previous chair stepped down after she was recently elected to serve on the FarmFirst board of directors, representing District 5. Travis Clark of Rosendale, Wis. was re-elected to serve as the vice-chair of the committee. Per the bylaws, Clark will continue to serve on the FarmFirst board of directors as the Young Cooperator Representative.

The Young Cooperator Program focuses on supporting today's youngest generation of dairy farmers, by helping them hone their skills to help them succeed in the future. The program faced challenges during the COVID-19 pandemic but continues to evolve to meet the needs of the cooperative's youngest members.

To keep up-to-date on educational opportunities and events for FarmFirst Young Cooperators, email jsweney@farmfirstcoop.com to join the email list.

FarmFirst Applauds U.S. Government's Initiation of Second Dispute Panel Against Canada TRQs

FarmFirst Dairy Cooperative applauds the announcement made by the Biden Administration to initiate a second dispute panel over Canada's most recent actions to delay fulfilling its obligations under the U.S.-Mexico-Canada Agreement (USMCA).

"I'm not surprised but disappointed in the Canadian government's unwillingness to fulfill its obligations," says Jeff Lyon, FarmFirst General Manager, "Canada's tightly regulated and expensive milk production system is not an excuse for Canadian trade officials to utilize delay tactics and not comply with the trade provisions."

"Canada's actions reinforce the notion that it is not interested in being a reliable trading partner. The U.S. dairy industry appreciates U.S. Trade Representative Katherine Tai's diligence to hold Canada accountable while pursuing the full market access U.S. dairy farmers, processors and retailers were promised and expect," Lyon added.

The first dispute settlement against Canada regarding USMCA was initiated one year ago, and in January, the dispute panel found Canada to be non-compliant with their dairy TRQ commitments under the USMCA. However, Canada has been unwilling to amend their dairy trade-distorting practices. On May 16, Canada published its revised USMCA dairy TRQ approach, which has raised new concerns and still fails to address its USMCA obligations.

The initial dispute settlement panel found that across more than a dozen categories of dairy products in USMCA, 85 to 100 percent of the lower tariff quota were reserved for Canadian processors, putting Canada in breach of its USMCA commitments. However, despite this, Canada announced policies that continue to reserve most quotas for Canadian processors and deny access to U.S. retailers.

As the issue persists, so will FarmFirst in holding Canada accountable to follow through on agreed upon trade provisions.

U.S. Dairy Supports New USDA Container Program for Ag Exports

USDA recently announced the creation of a new Commodity Container Assistance Program (CCAP), to provide additional support to American agriculture exporters. The news was welcomed by FarmFirst and other U.S. dairy groups including the National Milk Producers Federation and the U.S. Dairy Export Council. The initiative will provide funding from USDA's Farm Service Agency (FSA) to exporters to reduce the costs of sourcing containers at the Oakland and Seattle-Tacoma 'pop-up' port locations.

As port terminal operations have become congested and ocean carriers have prioritized shipping empty containers back to Asia from west coast ports, agriculture exporters have struggled to obtain containers from the carriers, to secure reliable vessel bookings, and to overcome obstacles to deliver goods to the ports to meet vessel departures timelines.

The pop-up sites are intended to provide off-terminal locations for empty container storage, increasing access for agriculture shippers to use them and freeing up port terminal space for freight operations. At the pop-up sites, exporters can transload their commodities into the containers (both dry and reefer) and store them on property until the vessel booking earliest return dates are announced, enabling more efficient drayage delivery to the ports. FSA payments will help to cover the costs of moving the containers between the ports and the pop-up yards, as well as the storage at the pop-up site.

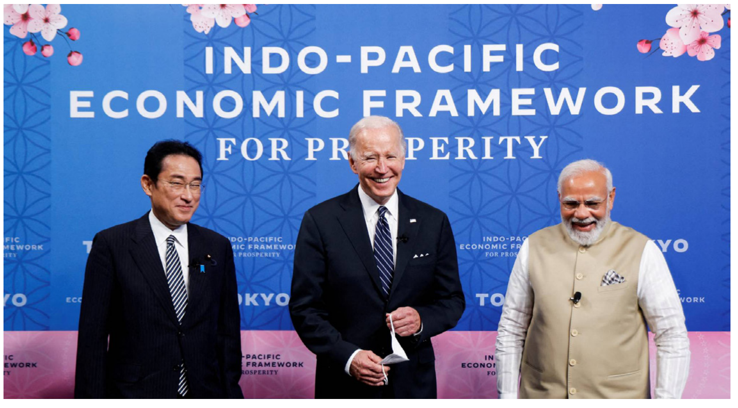
"The challenges agricultural exporters continue to experience at our nation's ports are weighing heavily on U.S. agriculture, and we at FarmFirst appreciate that USDA recognizes the need to provide relief," says Jeff Lyon, FarmFirst General Manager. "FarmFirst remains engaged on determining long-term solutions by working with Congress."

Biden Administration Launches IPEF Trade, Economic Initiative

In late May, President Biden traveled to Tokyo to formally launch what is likely to be his administration's signature diplomatic initiative in Asia: the Indo-Pacific Economic Framework for Prosperity (IPEF). The program is intended to strengthen political and economic relations with 12 other nations, including Australia, Brunei, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and Vietnam.

This is a welcomed first step in the process, but FarmFirst is concerned that discussions about strengthening our economic ties must include additional trade opportunities for the U.S. agriculture sector. This means tackling both tariff and nontariff barriers that hinder the ability of U.S. dairy exporters to keep pace with EU and Oceania competitors that have successfully negotiated agreements across the region.

FarmFirst has been a constant and vocal supporter of developing new trade agreements for U.S. agricultural exports.



FDA Commissioners Agree: Nutrition's a Problem for Faux Dairy

Written by Alan Bjerga, Senior Vice-President of Communications at NMPF

It's easy to become numb to the over-polished signaling that often passes as discourse in Washington, but sometimes reading things closely reveals interesting nuggets that show how an official is weighing a decision or perceiving an issue.

Example: an exchange between FDA Commissioner Robert Califf and Wisconsin Senator Tammy Baldwin at a recent Agricultural Appropriations Subcommittee hearing. Baldwin chairs the Senate subcommittee that sets spending levels at FDA — the sort of thing that would make an FDA commissioner pay attention. And when she asked him for his thoughts on how plant-based beverages that masquerade as dairy products should be labeled, he noted that when people think about dairy vs. plant-based beverages, they "are not very equipped to deal with what's the nutritional value" of the products.

In other words, confusion over the nutritional values of dairy versus plant-based beverages is real.

This isn't the first time an FDA commissioner has acknowledged the problem of nutritional confusion, which has gained attention well beyond the dairy farmers who create high-quality nutrition every day. From the American Academy of Pediatrics to the School Nutrition Association and others, concerns over the public-health impacts of consumers substituting dairy with nutritionally inferior plant-based products are widespread and well-known.

That's why Califf's predecessor, Dr. Stephen Hahn, said in his confirmation hearing that "clear, transparent, and understandable labeling for the American people" was necessary "so that they can make the appropriate decisions for their health and for their nutrition." That's why Hahn's predecessor, Dr. Scott Gottlieb, expressed concern that consumers were being "misled" by plant-based beverages and asked whether consumers "who are using plant-based milk products by seeing the word 'milk' imputing a certain nutritional value into that beverage that they're not deriving?"

And that's why Gottlieb's predecessor, who was … wait. Gottlieb's predecessor was Califf. But you get the picture.

The problem of nutritional confusion, also borne out by consumer surveys, isn't even controversial at FDA, at least not among its political leadership. The only thing that's been controversial, apparently, is FDA staff doing something to address the problem. But hope springs eternal, as well as opportunities for action. With long-promised guidance on dairy terms and plant-based beverages due this summer, federal policy has a chance to align with the words of its top officials, by finally creating the labeling integrity consumers deserve.

Doing the wrong thing – essentially preserving the Wild West status quo of plant-based peddlers flouting the FDA's own rules – will mean little, as federal courts have ruled that guidance policy pronouncements can't replace regulation, and at the root of current regulation is FDA's own standard of identity, which clearly identifies milk (the building block of all dairy products) as an animal product.

But doing the right thing – advocating for consumers, promoting transparency in labeling and reinforcing the nutritional importance of those standards – would help restore FDA's credibility as a consumer advocate and its reputation for public health leadership. And let's face it, FDA isn't having the easiest time these days.

The path is clear. The door is open. All FDA needs to do is walk through it and fix what its leaders already know is a problem. And we know they know it. Because they've said it themselves..

Alan Bjerga joined NMPF in October 2018 as its new Senior Vice President of Communications. In this role, he leads NMPF's communications efforts, focusing on media relations, marketing and digital storytelling. This article originally appeared in NMPF's Dairy Defined weekly feature.

Because I Care

Overview and Evaluation of Dairy Risk Management Options by Travis Glaser, Co-owner and Agent at ARM Services

I have been in and out of meetings the last couple of weeks, meeting with processors, bankers, and dairy producers. I'm seeing a common trend developing based on our current markets. It seems there is a lot of pressure being put on dairy producers, to protect milk futures. I agree with protecting profits, if done with sound reason and understanding.

My concern is that you are being pressured to protect milk far out into the future. Is this really giving you the best protection or is it protecting the bank? My concern, it's doing neither. I fully understand the importance of having a sound relationship with your lender. However, please use caution when making the decision to move into the far months. Historically the premiums are too high, and it has a negative impact on your risk strategy.

Options for Protecting Your Revenue

Option A: Hard Lock your milk.

This is cheap at $.10 to $.15 cwt, but can be painful because we have high inflation, and can't afford to miss out on higher milk prices. Also remember the creamery's pay price will not necessarily be the price you have contracted. If we see another round of PPD's you will most likely have to reduce that from your contracted price. If you don't see a negative PPD when others do its most likely being hidden in other areas of the check, maybe your premiums are less.

Option B: Options Trading

You can buy a put and sell a call also known as 'building a fence'. This cheapens the cost of buying a straight put. I call this the sound good/feel good option. Think back to how this would have worked if you started 8 months ago. You certainly protected your bottom but also set a limit to your topside. Milk hasn't come down and only risen, now that milk is $25 cwt in the near term, how bad would the margin calls be?

Option C: Dairy Revenue Protection (DRP)

This is a decent option, there have been several scenarios, where I have utilized DRP. The biggest win for DRP is that you are getting subsidized floor on your milk. I like this option much more than using the fence strategy listed above. DRP does, however, have flaws, these flaws can be very costly. I have talked with several producers, who have moved away from DRP recently. The biggest issue is three month averaging. The next issue has been buying DRP and at the same time, or later, selling a call on the same milk. This is like building a fence. If the milk price rises above your call price, you are forced to pay margin calls. Also be cautious to the number of moves you are making with your broker, each move has a premium.

Option D: Livestock Gross Margin (LGM)

LGM dairy is the best option. My opinion is built on sound facts and figures analyzed since 2008. LGM dairy, like DRP, offers a subsidized floor on milk. The advantage to LGM is doing shorter segments vs quarterly segments. This mitigates the averaging affect that we see in DRP. If you have used LGM in the past, keep in mind, there have been several positive changes made in recent years. Give it a look and you too, will find it to bring the best value.

Cost Analysis

There is a cost associated with each of the options above. In some instances, its opportunity cost, in other instances, its premium cost. If you are using DRP or LGM (these are priced very similar) I can assure you that the premium is worth the value. The average LGM premium, using our strategy, from 2008-2021 is $.27 p/cwt. The 10-year average projected milk price, seven months forward, is $16.85, the 10-year low is $12.18. The spread based on the 10-year average as compared to the low is $4.67. The equates to a cost of $.057 per dollar of spread. We currently have milk trading around $23.50 in the future. This creates a spread of $11.32. Based on a cost of $.057 per dollar of spread premiums should be about $.65 p/cwt. This is right on target with where we are seeing premiums. It's much easier to make these decisions when we have good prices on the board.

I understand you can't beat being right! What is a better option for your farm? Paying $.65 cwt today and having the option for better revenue later or paying $.10 to $.15 cwt today and possibly missing out on $1 - $3 in the future? Paying $.65 cwt isn't enjoyable, but neither is missing out on $3 cwt.

I welcome the opportunity to discuss these options with you and learn about you and your farming operation. My promise is to add value to your operation, and to not waste your time. I would rather educate you on the options available and let you make a sound choice.

Give me a call at 715-456-5607. Because I care!

Travis

Federal Milk Order Market Information

APRIL 2022

		UPPER MIDWEST	CENTRAL	MIDEAST
Order Name and Number		**Order 30**	**Order 32**	**Order 33**
Producer Milk (lbs.)		2,349,635,529	1,302,223,959	1,548,823,663
Producer Price Differential @ base zone		$ 0.13	$ 0.23	$ 0.49
Statistical Uniform Price/cwt @ 3.5% BF*		$ 24.55	$ 24.65	$ 24.91
Class I Price/cwt		$ 26.18	$ 26.38	$ 26.58
Class II Price/cwt		$ 25.71	$ 25.71	$ 25.71
Class III Price/cwt		$ 24.42	$ 24.42	$ 24.42
Class IV Price/cwt		$ 25.31	$ 25.31	$ 25.31
Component Prices & Test Avg. % aves				
Butterfat/lb.	$ 3.1461	4.10%	4.07%	4.04%
Protein/lb.	$ 3.4239	3.21%	3.28%	3.23%
Other Solids/lb.	$ 0.55650	5.78%	5.79%	5.79%
SCC Adjust Rate/1000	$ 0.00115			
Producer Milk Classified %				
Class I		8.60%	27.73%	34.30%
Class II		1.50%	6.96%	10.10%
Class III		89.10%	53.03%	46.50%
Class IV		0.80%	12.28%	9.10%
		100.00%	100.00%	100.00%

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53708-0380

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WORLD MILK DAY

World Milk Day takes place on June 1 with millions of people celebrating the value that milk brings to their lives.

Celebrate June Dairy Month!

Check out the event calendar online from Dairy Farmers of Wisconsin to find events near you!

https://wisconsindairy.org/nation-al-dairy-month/Dairy-Breakfasts

DAIRY FARMERS OF WISCONSIN
STRONG FARMS STRONG FUTURE